AN ANALYSIS OF FINANCIAL WELL-BEING AMONG UNDERGRADUATE STUDENTS AT THE UNIVERSITY OF TEXAS AT AUSTIN

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ABSTRACT

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Title: An Analysis of Financial Well-Being Among Undergraduate Students at The University of Texas at Austin

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The importance of developing positive financial behaviors early in life is being demonstrated every day as the economic fallout surrounding the ongoing COVID-19 pandemic heightens. Though a personal finance education does not solve for lack of income and systemic economic inequality, it does inform individuals on healthy spending and saving habits to help them weather through periods of economic duress. This thesis explores the importance of developing financial well-being among college students, specifically, undergraduate students of the University of Texas at Austin.

Recent college graduates are facing significantly different financial circumstances than previous generations. These circumstances have been shaped in large part by the rising cost of attending college and the associated student loan crisis. In 2019, total student loan debt in the United States passed $1.6 trillion and is expected to reach $2 trillion in the next two years. In addition to growing debt, graduates of the class of 2020 are also facing weary job prospects as employment opportunities dwindle amid the current pandemic.

To determine the state of financial well-being among UT-Austin undergraduates I conducted a study regarding students' financial literacy and behaviors. Based on the study's results, I outline the need for comprehensive personal finance initiatives and offer recommendations on how UT-Austin can improve the financial well-being of students. First, I address the importance of financial well-being and insights from the current economic climate. Next, I explain the current state of consumer financial well-being in the U.S. before diving into the results of my UT-Austin study. Then, I examine existing personal finance education initiatives from several organizations before finally proposing a plan for how UT-Austin can develop its own student financial well-being initiatives based existing models of success.

ACKNOWLEDGEMENTS

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INTRODUCTION

Since the United States Financial Crisis of 2007 and 2008, many institutions have begun tracking how consumers feel about their financial well-being. Despite a push for greater regulation to protect consumers in the past decade, current surveys paint a wary picture of American financial literacy. In its 2019 Consumer Financial Literacy Survey, the National Foundation for Credit Counseling (NFCC) found that three in four adults believe they could benefit from “advice and answers to everyday financial questions from a professional” and only two in five adults actually maintain a budget to track spending, a proportion that has remained consistent over the last decade.[1]

Though many factors influence an adult’s spending habits from cultural values to disposable income, access to personal finance education enables consumers to make more financially informed decisions. In the past decade, the American student loan crisis has reached over $1.6 trillion, surpassing credit card loans to become the 2nd largest source of consumer debt after mortgages.[2] An average college student today will graduate with more than $30,000 in loans, facing a significantly different financial landscape than college graduates only a few years prior to them.[3] The current student loan crisis has compelled a national debate on the rising cost of tuition and potential for debt-forgiveness; however, a comprehensive solution to the debt crisis remains to be seen. Empirical research suggests that students who graduate college without student loans have stronger financial futures. In its 2018 study of how student debt affects retirement savings, the Center for Retirement Research at Boston College (CRR), found that

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[1] "The 2019 Consumer Financial Literacy Survey." The National Federation for Credit Counseling (NFCC) 2019, https://www.nfcc.org/2019-consumer-financial-literacy-survey/, Accessed 12 Nov. 2019.
[2] Friedman, Zack. “Student Loan Debt Statistics In 2020: A Record $1.6 Trillion.” *Forbes*, 3 Feb. 2020, www.forbes.com/sites/zackfriedman/2020/02/03/student-loan-debt-statistics/#3840f98c281f. Accessed 7 May 2020.
[3] Ibid.

students who graduate with debt tend to be at a greater risk for bankruptcy, have lower net worth, and may face more difficulty purchasing a home.[4] Students who graduate college with student loans also generally save less for retirement in their early careers. The CRR found that students who graduate with loans have 50% less retirement savings at age 30 than their peers who graduated debt free.[5] Thus, as the student loan crisis continues to grow, it is imperative that colleges take active steps to help their students better manage their finances and prepare for their financial futures.

The purpose of this thesis is to not only explain the necessity of improving financial well-being among college students, but also how UT-Austin, specifically, can better equip its students to manage their financial futures. To introduce this discussion, I will first explain the importance of financial well-being generally. This chapter will focus on how periods of economic distress, such as the one we are experiencing right now due to COVID-19, reveal gaps in the publics' financial well-being and the unique challenges recent college graduates may face during these crises.

Next, I will provide an overview of recent studies that measure the current state of financial well-being among the general American public and college students, specifically. A portion of this chapter will also explain the current student loan crisis and how current college students are facing different financial pressures than generations past. To better understand the financial well-being of UT-Austin students, I conducted a survey addressing students' financial knowledge and behaviors. The results of this survey are found in Chapter 3.

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[4] Rutledge, Matthew S. et al., "Do Young Adults with Student Debt Save Less for Retirement?", Center for Retirement Research at Boston College, 2018, http://crr.bc.edu/wp-content/uploads/2018/06/IB_18-13.pdf.

[5] Ibid.

After evaluating the state of college student well-being generally and at UT-Austin, I will examine existing initiatives to improve American financial well-being. These initiatives are led by a variety of organizations, from governmental institutions to nonprofits that conduct independent research. Together, these organizations' efforts have developed many strategies and resources to improve overall consumer financial well-being. A significant portion of this chapter will focus on research that has been done on effective strategies to improve the financial capability of college students in the U.S. Finally, I will apply these findings to recommend several initiatives for UT-Austin administration to implement to improve student financial well-being and access to additional financial planning resources.

CHAPTER I: THE IMPORTANCE OF FINANCIAL WELL-BEING

Achieving consumer financial well-being, or wellness, involves empowering individuals to make educated financial decisions. The Consumer Financial Protection Bureau (CFPB) defines financial well-being along four elements (1) “control over your day-to-day, month-to-month finances,” (2) “financial freedom to make choices to enjoy life,” (3) “capacity to absorb a financial shock,” and (4) “on track to meet your financial goals.”[6] There are several terms used to describe a consumer’s financial wellness, and these terms are often used inconsistently across different pieces of literature. In this thesis, I will use the term “financial literacy” to describe a measure of how much consumers are knowledgeable of personal finance concepts, and “financial wellness” or “financial well-being” to describe a measure of how this knowledge is applied in consumers’ everyday lives: with financial literacy is a component of financial well-being. The distinction between these definitions is important because though a consumer may have high levels of “financial literacy,” they will still face financial stress and a lack of “financial well-being” if they are unable to implement these concepts in their lives.

Translating personal finance knowledge into everyday financial decisions can take many forms for different consumers. However, whether you are a college student creating a monthly budget to save up to pay off student loans, a parent seeking new jobs to cover childcare costs, or a retiree considering their investment options, all consumers should feel empowered to make educated decisions about their financial futures. Accomplishing these varied financial goals requires not only the knowledge to create financial plans, but also access to resources that help consumers apply financial concepts in practice.

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[6] Consumer Financial Protection Bureau. *Financial Well-Being: What It Means and How to Help Consumer-Driven Definition of Personal Financial Well-Being*.

Countries with greater levels of financial literacy experience positive economic benefits.[7] When consumers feel knowledgeable on their financial options, they are encouraged to engage in economically beneficial activities such as investing in the market.[8] However, unfortunately, we often only see the effects of lack of personal finance education during periods of economic distress.

While in theory, consumers may understand the need to budget their money and create savings accounts, reality indicates that many consumers are not applying this knowledge in practice. As I write this thesis, the COVID-19 pandemic has shocked the global economy. Much of world's population is following measures of social distancing in order to help curtail the spread of COVID-19. In this new environment, every day brings new challenges to people around the world: long-time employees are adjusting to unfamiliar styles of remote working, college students are seeing internship and post-graduation job cancellations, small businesses have been forced to close their doors, essential personnel are facing incredible risks to serve their community.

The United States has experienced an economic shock that has affected all consumers. Researchers estimate that as of mid-April, 18% of the U.S. labor force has been laid off due to COVID-19, with an additional 15% of the labor force seeing reduced hours.[9] The loss of monthly paychecks combined with a difficult job market has many American families facing harsh financial situations. A particularly alarming reality that this crisis has shed more light on is the lack of savings among everyday Americans. While individuals and governments may not

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[7] Mnuchin, Steven, and Jovita Carranza. *Federal Financial Literacy Reform Coordinating and Improving Financial Literacy Efforts*. U.S. Department of Treasury, July 2019.
[8] Ibid.
[9] Drie, Jonathan Rothwell and Hannah Van. "The Effect of COVID-19 and Disease Suppression Policies on Labor Markets: A Preliminary Analysis of the Data." *Brookings*, 27 Apr. 2020, www.brookings.edu/research/the-effect-of-covid-19-and-disease-suppression-policies-on-labor-markets-a-preliminary-analysis-of-the-data/. Accessed 7 May 2020.

have anticipated a pandemic of this magnitude, we are only starting to see the true extent of our lack of financial preparedness. In the Federal Reserve's 2018 Report on the Economic Well-Being of U.S. Households, four in ten adults reported that they would have difficulty covering a small, unexpected expense of $400 using cash or cash equivalents, indicating that many adults are not setting aside money towards savings consistently. [10][11] While there is no one-size-fits-all amount for a healthy safety net, it is generally advised that everyone should create an emergency fund that can cover three to six months' worth of expenses, with more recommended for single-income households.[12] This emergency fund is intended to help families weather through uncertain times, but many Americans do not have these savings to rely on today.

With COVID-19's pervasive impact on everyday life, it is no surprise that economic anxiety among Americans is at a record high.[13] For Americans, a loss of a job not only leads to a loss of income, but also can lead to the loss of health insurance, a resource that is particularly top of mind during a pandemic. This anxiety is creeping beyond unexpected expenses; Americans are starting to worry about their ability to pay for necessities. In Marketplace-Edison's mid-April research study, 44% of respondents said that they were worried about being able to pay for groceries.[14]

These figures are incredibly alarming, and provide some context into the financial burden many Americans are facing. While current economic distress surrounding COVID-19 has

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[10] "The Fed - Dealing with Unexpected Expenses." *Board of Governors of the Federal Reserve System*, www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-dealing-with-unexpected-expenses.htm. Accessed 7 May 2020.

[11] In the Federal Reserve's study, cash equivalents include "savings, or a credit card paid off at the next statement"

[12] Loudenback, Tanza. "Here's How to Know Exactly How Much Money You Need in Your Emergency Fund." *Business Insider*, 27 July 2019, www.businessinsider.com/personal-finance/how-much-money-to-save-in-emergency-fund-rules. Accessed 7 May 2020.

[13] Brancaccio, David, and Rose Conlon. "Nearly Half of Americans Are Worried about Their Ability to Buy Food, Groceries." *Marketplace*, 5 May 2020, www.marketplace.org/2020/05/05/covid-19-economic-anxiety-spike-food-groceries-rent-mortgages-health-care/. Accessed 6 May 2020.

[14] Ibid.

impacted everyone's finances, young Americans face particularly unique financial challenges. Millennials, those currently between the ages of 23 to 38, have demonstrated less financially secure foundations than their parents.[15] Not only do millennials have significantly higher amounts of student debt, but they also tend to have lower net worth and rates of home ownership when compared to previous generations.[16] Many of these millennials entered the workforce during the 2007-2008 financial crisis, and may once again experience the effects of a substantial economic fallout during their early careers.[17] For students in the tail end of Generation Z, those currently below the age of 22, this economic crisis poses considerable threats to future financial security. Research on the effects of entering the job market during recession paints a harsh picture for these students' financial futures. Not only does a recession impact daily financial decisions in the short-term, but it also impacts the income of people entering the workforce due to delayed human capital accumulation that follows them in the form of wage gaps for decades after.[18] Younger generations will carry these burdens well into the future, with many individuals having to delay home ownership and carry debt longer due to an economic recession at the start of their careers.

Though even the most financially knowledgeable person is not immune to macroeconomic slowdowns, individuals can prepare themselves for economic shocks by practicing healthy saving and budgeting habits early on. Over time, these positive financial behaviors will add up, allowing consumers to develop financial safety nets that they can pull

[15]Kurz, Christopher, Geng Li, and Daniel J. Vine (2018). "Are Millennials Different?," Finance and Economics Discussion Series 2018-080. Washington: Board of Governors of the Federal Reserve System, https://doi.org/10.17016/FEDS.2018.080.
[16] Ibid.
[17] Bosley, Catherine, et al. "Millennials Are Getting Stung by Back-to-Back Global Crises." *Bloomberg*, 8 Apr. 2020, www.bloomberg.com/news/articles/2020-04-08/millennials-are-getting-stung-by-back-to-back-economic-crises. Accessed 7 May 2020.
[18]Wee, Shu. *Delayed Learning and Human Capital Accumulation: The Cost of Entering the Job Market During a Recession*. 22 Mar. 2016.

from when faced with unexpected financial burdens such as a job loss or medical bills. Personal finance knowledge enables people to make more informed decisions regarding the daily financial difficulties they may be facing. During the current economic crisis, consumers may experience some relief in the form of temporary loan forbearance, rent forgiveness, or government stimulus payments; however, the future is still incredibly uncertain and consumers must remain vigilant to make it through these difficult times.

CHAPTER II: STATE OF CONSUMER FINANCIAL WELL-BEING

Despite greater governmental and independent organizational involvement in personal financial initiatives over the last decade, financial surveys paint a bleak picture of the state of American financial well-being. Many organizations conduct large scale financial literacy and financial wellness studies to track how performance is changing over the years. Below I will describe the results of a few of the studies and the insights they reveal on the current state of American consumer financial well-being before focusing on studies specific to American college students.

In 2014, Standard & Poor (S&P) conducted a global financial literacy survey of 150,000+ adults in order to gauge how literacy differs across the world.[19] The survey tests on four primary financial concepts: risk diversification, inflation, interest, and compound interest. A respondent is considered financially literate if they can answer questions on at least three of the four concepts. Based on this methodology, the S&P survey determined that only 33% of adults globally are financially literate. However, literacy rates vary significantly by country, with richer countries generally demonstrating higher rates. In the United States, 57% of adults were able to correctly answer at least three questions to be classified as financially literate. While 57% is significantly above the global average, it does not indicate that Americans are particularly knowledgeable financially. The U.S.' rate is lower than that of other advanced countries such as Canada (68%), Germany (66%), and the United Kingdom (67%). Additionally, the S&P survey has a relatively low bar for financial literacy. While concepts such as inflation and interest rates are important to understand, knowledge on more complex topics such as debt repayment, credit

[19] Klapper, Leora, Annamaria Lusardi, and Peter van Oudheusden. "Financial Literacy Around the World: Insights from the Standard & Poor's Rating Services Global Financial Literacy Survey.", edited by Annamaria Lusardi, World Bank Development Research Group, 2015. Accessed 12 Nov. 2019.

scores, and investment strategies are also required to develop a successful personal finance strategy in many countries around the world.

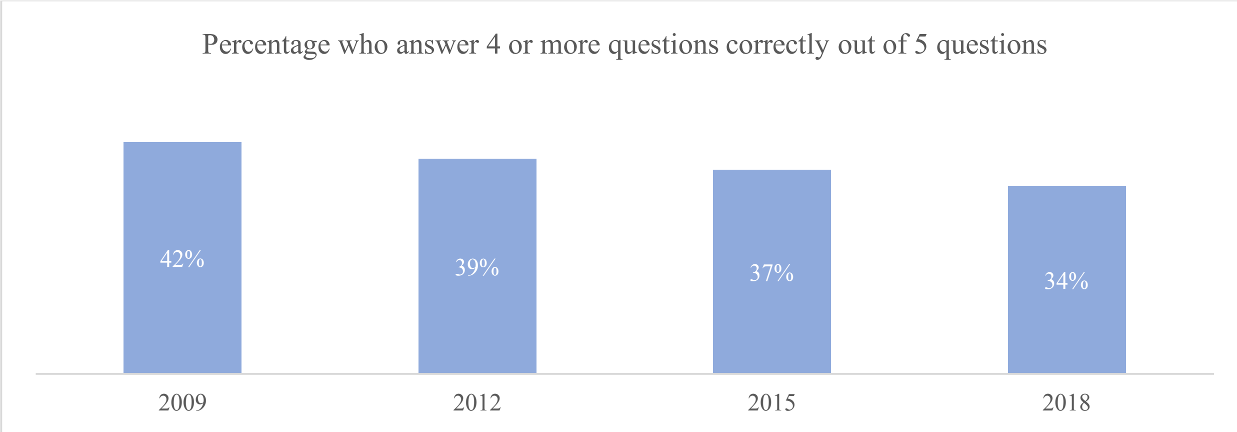
The FINRA Investor Education Foundation (FINRA) provides more insights on the state of financial capability within the U.S. Every three years, FINRA conducts a National Financial Capability Study (NFCS) to determine the state Americans' financial wellness. The 2018 NFCS surveyed more than 27,000 adults across the country, including ~500 per state.[20] The study has included questions on financial literacy concepts focused on five major themes — mortgages, interest rates, inflation, risk, and bond price — since its first survey in 2009. Performance across these topics varies widely: on the 2018 survey, the majority of respondents were able to answer the mortgage, inflation, and interest rate questions correctly, but many struggled on the risk and bond price question (see Figure 1). Respondents' performance on these questions has also changed over time. In 2018, 34% of respondents correctly answered 4 of more questions, on the decline from 2009 with 42% (see Figure 2).

Figure 1: The State of U.S. Financial Capability (Source: 2018 National Financial Capability Study)

	Correct	Incorrect	Don't know
Mortgage Question	73%	9%	17%
Interest Rate Question	72%	13%	13%
Inflation Question	55%	22%	21%
Risk Question	43%	11%	45%
Bond Price Question	26%	37%	36%

[20] Lin, Judy, et al. "The State of U.S. Financial Capability: The 2018 National Financial Capability Study". FINRA Foundation. June 2019. https://www.usfinancialcapability.org/downloads/NFCS_2018_Report_Natl_Findings.pdf.

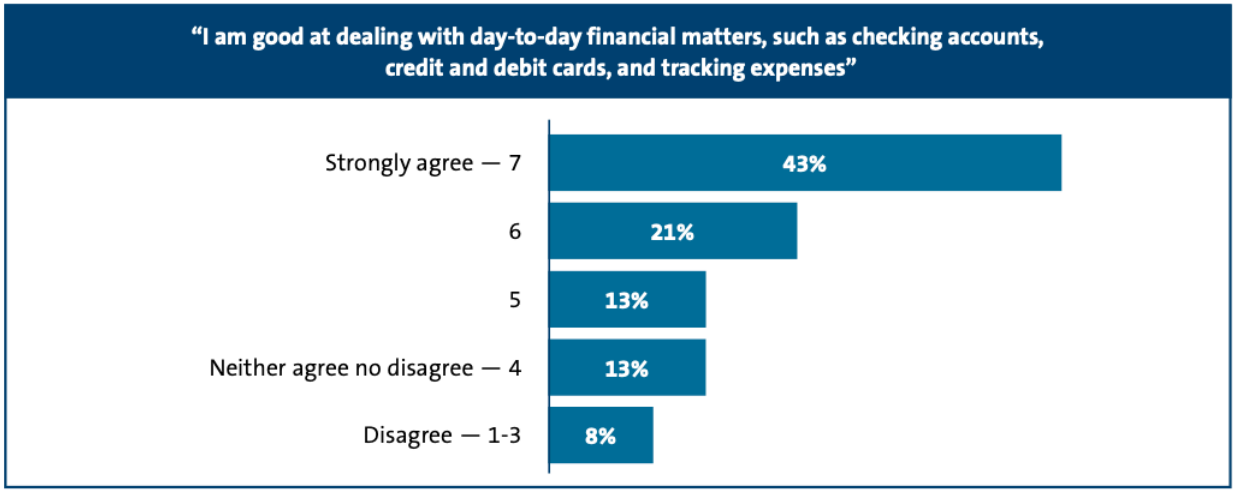
Figure 2: Percent of Respondents who Correctly Answered 4 of 5 Questions (Source: 2018 National Financial Capability Study)



Though not all aspects of financial decision making are tested on the NFCS, performing better on financial literacy tests has a strong correlation with higher financial well-being as more financially literate individuals are knowledgeable about their everyday financial decisions. When asked to self-report individual financial knowledge, Americans report inflated levels of financial knowledge that are at odds with their actions.[21] On a scale of 1 (lowest) to 7 (highest), 77% Americans rated themselves as a 5 or higher regarding their control over day-to-day financial affairs (see Figure 3) However, among those that rated themselves as a 7, "31% engage in costly credit card behaviors (paying the minimum due, paying late fees, paying over-the-limit fees, or using the card for cash advances), 21% use non-bank borrowing methods, and 13% overdraw their checking account," all negative financial behaviors.[22]

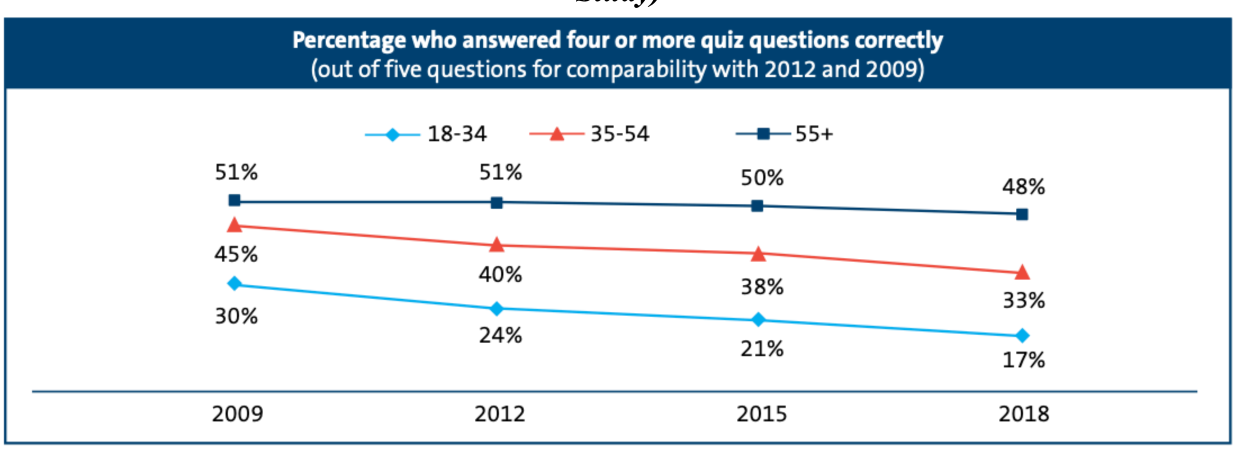
[21] Ibid.
[22] Ibid.

Figure 3: Financial Self-Perceptions (Source: 2018 National Financial Capability Study)



The decline in performance on these financial literacy questions is particularly alarming when broken down by age. While the number of Americans 55 and older who can answer four or more quiz questions has remained relatively consistent since 2009, the number for those 35 to 54 and 18 to 34 has decreased by 11% and 13%, respectively. As seen in figure 4, this decline in ability to answer quiz questions has been consistent among younger age groups every year the NFCS has been conducted.

Figure 4: The State of U.S. Financial Capability by Age (2018 National Financial Capability Study)



Since the first NFCS in 2009, the ability of all demographic groups to cover expenses has generally improved; however, the capability of "younger Americans, those with lower incomes, and African-Americans" has improved at a slower rate.[23] This gap in financial capability will only continue to increase if left unaddressed. The FINRA found that 63% of young Americans (age 18-34) report feeling stressed when thinking about their finances, compared to 53% for all respondents. Many factors contribute to these increased levels of financial stress and anxiety; however, rising college debt is likely the primary reason for this concern. The NCFS found that while 26% of all respondents carry student loan debt, the percent was much higher among younger respondents (44%). The NCFS findings also "suggest that many student loan holders did not fully understand what they were getting into when they took out their loans" and 48% of loans holders worry about not being able to pay off their student loans.[24]

Financial Well-Being among American College Students

Recent college graduates face significantly different financial circumstances than previous generations. In the class of 2018, 65% of college seniors had student loans with a reported average of $29,200 in the U.S.[25] From 1996 to 2012, the average debt of student borrowers increased by ~4% every year; however, from 2012 to 2018 the growth has slowed significantly.[26] Though the slowdowns in debt for an average student borrower are promising, the key issue in the American student loan crisis is how this debt has accumulated over time. In 2019, overall U.S. student loan debt was reported to be around $1.6 trillion, with economists predicting that this figure will reach $2 trillion by 2021.[27]

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[23] Ibid.
[24] Ibid.
[25] *Student Debt and the Class of 2018*. The Institute for College Access & Success, Sept. 2019.
[26] Ibid.
[27] Johnson, Daniel. "What Will It Take to Solve the Student Loan Crisis?" *Harvard Business Review*, 23 Sept. 2019, hbr.org/2019/09/what-will-it-take-to-solve-the-student-loan-crisis. Accessed 7 May 2020.

Several factors have contributed to the higher levels of student borrowing. Most notably, the increasing cost of attending college due largely in part to the decline in state education funding has forced more students to borrow to attend college.[28] Young adults who have already graduated college are experiencing the effects student loans can have on their financial futures. Research indicates that though attending college leads to better financial outcomes, students who graduate college with debt have poorer financial outcomes than their peers without debt.[29] These poorer financial outcomes include a greater risk of bankruptcy, falling behind on payments, and facing difficulties in buying a home.[30]

Many policymakers have proposed reforms to develop more accommodating student loan repayment plans and increase investments in higher education; however, many such policies are highly contested and the future of these reforms is uncertain. In the meantime, current and incoming college students are having to adjust their career, social, and life plans around the new reality of student debt, begging the question — what is the current state of financial well-being among college students?

In 2017, Ohio State University's Center for Study of Student Life and College of Education and Human Ecology conducted a study entitled the Study on Collegiate Financial Wellness (SCFW). The study included student respondents at 52 colleges nationwide, including a mix of students from two-year public, four-year private, and four-year public institutions. With

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[28] Ibid

[29] Rutledge, Matthew S. et al., "Do Young Adults with Student Debt Save Less for Retirement?", Center for Retirement Research at Boston College, 2018, http://crr.bc.edu/wp-content/uploads/2018/06/IB_18-13.pdf.

[30] Ibid.

results from 18,000+ students, the SCFW provides a unique, comprehensive perspective on college students' knowledge of a variety of topics from debt repayment to credit card use.[31]

To understand the extent of respondents' financial literacy, the SCFW asked students questions on a variety of personal finance concepts such as inflation, compound interest, and tax rates, questions that are similar to those found in the FINRA and the S&P study.[32][33] Of the six questions included, respondents correctly answered 3.3 questions on average. A breakdown of how students responded to each question is found in Figure 5. Several of the concepts tested in SCFW also appear in my study of UT-Austin students. In Chapter 3, Figure 11 displays a similar break down of responses to questions used in the UT-Austin study.

Figure 5: Percent Correct, Incorrect, and Don't Know by Question (Source: 2017 Ohio State Study on Collegiate Financial Wellness)[34]

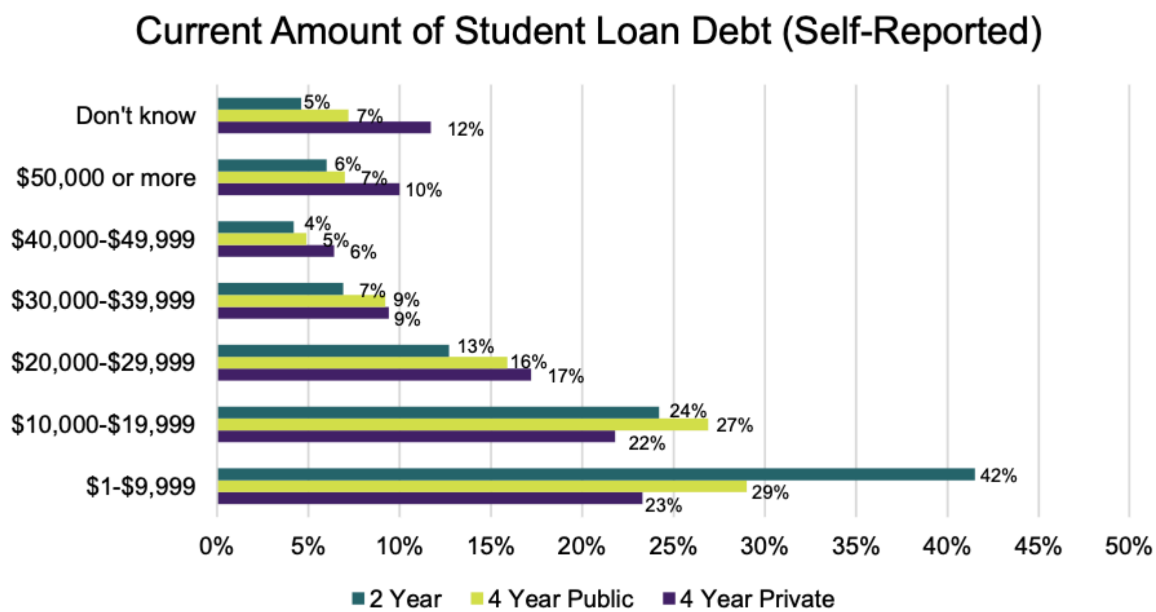
	% Correct	% Incorrect	% Don't Know
Inflation Question	49.1%	22.2%	28.7%
Interest Rate Question	72.7%	9.2%	18.1%
Loan Repayment Question	71.3%	12.1%	16.6%
Tax Question	36.3%	38.3%	25.4%
Highest Return Investment Question	33.2%	35.4%	31.4%
Impact of Credit Card on Credit Score Question (T/F)	65.8%	13.1%	21.1%

In addition to measuring financial literacy among college students, Ohio State's SCFW asked students several questions about their current financial situation and typical financial behaviors. The SCFW's findings help point out some interesting trends in student loan behavior

[31] "Study on Collegiate Financial Wellness 2017 National Descriptive Report", The Ohio State University, Office of Student Life, College of Education and Human Ecology, 2017, *https://cssl.osu.edu/posts/632320bc-704d-4eef-8bcb-87c83019f2e9/documents/2017-scfw-national-descriptive-report.pdf.*
[32] Lin, Judy, et al
[33] Klapper, Leora, Annamaria Lusardi, and Peter van Oudheusden.
[34] "Study on Collegiate Financial Wellness 2017 National Descriptive Report"

across different types of institutions. Overall, 53% of respondents indicated that they are using some form of student loans to pay for school. The amount of student loan debt that students reported differed by the type of institution they attend (see Figure 6). Students at two-year institutions reported lower levels of debt, likely due to the lower cost associated with attending two-year colleges versus four-year colleges. In contrast, students at four-year public institutions reported less student debt when compared to students at four-year private institutions: 71.4% of respondents of four-year public reported $29,999 or less in debt compared to 62.5% for four-year private. Students at four-year private institutions were also more likely to not know how much debt they owed (11.7%) compared to students at four-year public universities (7.2%) or two-year institutions (4.6%).[35]

Figure 6: Reported Student Loan Debt by Institution Type (Source: 2017 Ohio State Study on Collegiate Financial Wellness)



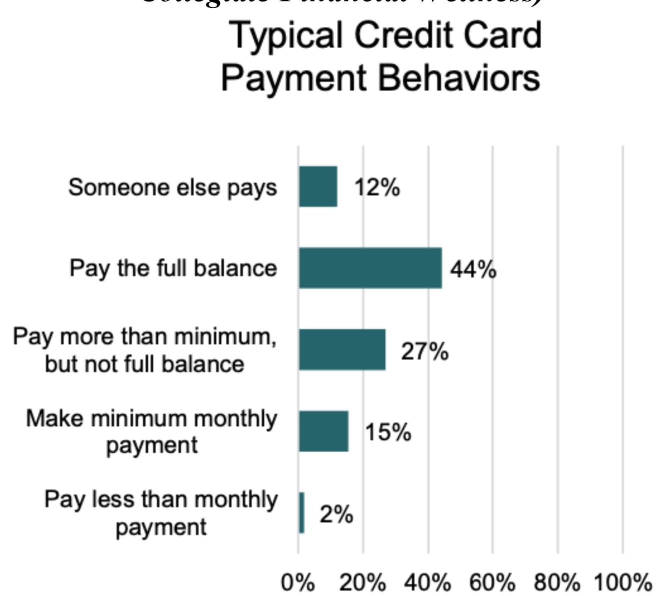
The SCFW also measured student sentiment towards loan aversion. Respondents who did not report taking on any student loans were asked if they had been offered loans and if so, why

[35] Ibid.

they did not accept them. Of the nearly half of students who were offered students loans but did not accept them, 40% reported that they did not take the loan because they were uncomfortable doing so, 50% because they did not need the loan, and 40% reported that their family discouraged them from taking loans.[36]

Students were also surveyed on their credit card behaviors. 57.8% of respondents reported having one or more credit cards.[37] Among respondents with credit cards, 44% reported paying off their balance in full each month, while 17% reported paying the monthly minimum or less (see Figure 7). Additionally, 58.4% of respondents "indicated that they expected to have no credit card debt at the time they graduate." However, "16.5% of students with at least one credit card reported that their credit card debt caused them a large or extreme amount of stress" with students at two-year institutions more likely to report such stress, 29.7% among two-year students compared to 12.4% for four-year students.[38]

Figure 7: Student Credit Card Payment Behaviors (Source: 2017 Ohio State Study on Collegiate Financial Wellness)

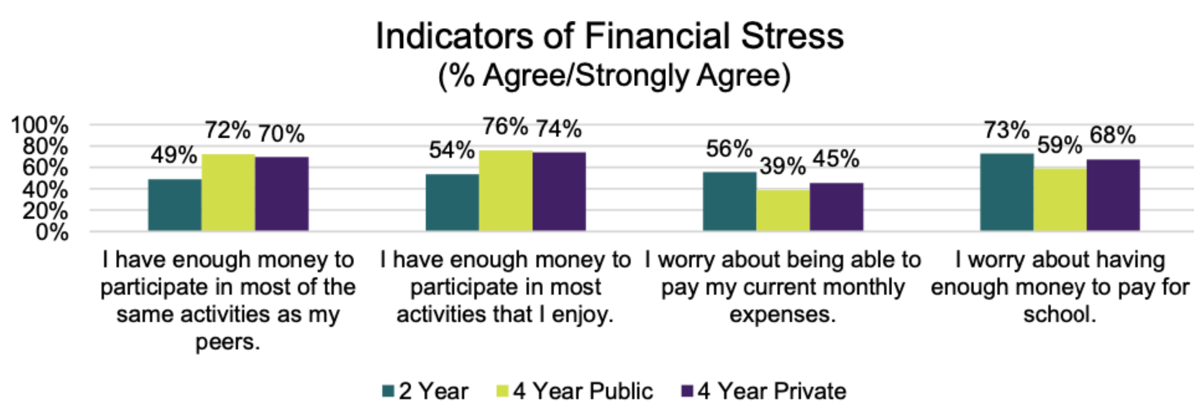


[36] Ibid.
[37] Ibid.
[38] Ibid.

Generally, more students in the SCFW reported positive financial behaviors than negative ones. On a scale of 1-5, with a score of 5 representing more of the behavior, students across all institutions scored a 3.51 on positive financial behaviors, with similar scores across different institution types. However, when assessing negative financial behaviors, students at two-year institutions reported slightly higher negative financial behaviors with a score of 1.67 compared to the average of 1.5 across all institutions. When asked about how often respondents engage in such financial behaviors, a majority of students reported frequently engaging in positive financial behaviors such as monitoring their account balances (77%) and tracking their spending (58%).[39]

68.7% of students reported "feel[ing] stressed about my personal finances in general."[40] The source of these financial stresses differed for students at different institutions. As seen in Figure 8, students at four-year institutions indicated that they were more worried about financial stresses related to participating in activities they enjoy or that their peers are involved in. Students at two-year institutions, on the other hand, indicated that they had more financial stress regarding having money to pay for school and their monthly bills.

Figure 8: Indicators of Financial Stress by Institution (Source: 2017 Ohio State Study on Collegiate Financial Wellness)



[39] Ibid.
[40] Ibid.

However, despite the high-levels of financial stress reported by students, respondents generally reported high levels of financial self-efficacy in regards to the future. 77.1% of respondents reported that they agree or strongly agree that the “cost of college is a good investment in [their] financial future” and 69.5% of reported that they agree or strongly agree they are “confident in [their] ability to plan for [their] financial future.”[41] These responses are promising and indicate that there is a large portion of students who feel capable managing their finances after college; however, further studies must be conducted to determine if these students’ self-efficacy remains high after they graduate from college and are faced with greater critical financial decisions.

The financial behaviors reported in Ohio State’s study provide a look into how students around the country are applying financial knowledge in their everyday lives: a measure that appears to vary significantly based on a students’ background. Ohio State’s SCFW provides a foundation to understand the financial well-being of college students across different institutions at a nationwide level; however, with so many differences apparent between students along several factors, it is clear that different student groups require additional analysis to understand what factors are most significant in influencing student financial wellbeing. In particular, as a student at The University of Texas at Austin (UT-Austin), a large 4-year public institution, I will analyze survey results of UT-Austin students in the proceeding chapter to determine which factors influence differences in financial literacy and financial behaviors among my peers.

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[41] Ibid.

CHAPTER III: SURVEY OF UT-AUSTIN STUDENTS

Given the importance of establishing a foundation of personal finance knowledge prior to entering the workforce, I sought out to determine the financial wellness of students at the University of Texas at Austin (UT-Austin). UT-Austin is the flagship university of the University of Texas system. A public university with 50,000+ undergraduate and graduate students, UT-Austin is located in close proximity to downtown Austin and boasts 13 undergraduate colleges.

For the 2019-2020 school year, the estimated total cost of attending UT-Austin as a Texas resident who lives on or off campus is $27,218 - $28,758, including an estimated $10,314 - $11,852 for Tuition and $1,812 for room and board.[42] For non-Texas residents, the estimated cost of attending is $53,620 - $58,986, with $36,716 - $42,082 for out-of-state tuition.[43] UT-Austin awards students an average of $16,531 in financial assistance. 43% of students receive such assistance, with 64% receiving aid from grants and scholarships and 36% from loans.[44] Additionally, among UT-Austin's freshman class, 23% receive federal grants, 30% receive scholarships, and 43% receive state grants.[45] In Fall 2018, UT-Austin's student body was composed of 10.6% out-of-state students, 10.1% international students, and 79.3% in-state students, who resided in Texas prior to attending the university.[46]

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[42] "Cost of Attendance - Texas One Stop." *University of Texas at Austin*, onestop.utexas.edu/managing-costs/cost-tuition-rates/cost-of-attendance/. Accessed 7 May 2020.
[43] Ibid.
[44] "The University of Texas at Austin Financial Aid." *College Factual*, www.collegefactual.com/colleges/the-university-of-texas-at-austin/paying-for-college/financial-aid/. Accessed 7 May 2020.
[45] Ibid.
[46] "Facts & Figures | The University of Texas at Austin." *University of Texas at Austin*, 10 Sept. 2019, www.utexas.edu/about/facts-and-figures. Accessed 7 May 2020.

Methodology

To assess the state of student financial well-being, I designed a survey with the input of my supervising professor and second reader. The survey was divided into three primary sections: financial concept questions, financial behavior questions, and student background questions (see full survey in Appendix A). The survey began with the financial concept portion of the survey. This section was based on five multiple choice questions that included an option for *don't know* and were modeled after questions used in many prominent financial literacy tests.[47][48] In the next section, students were asked to rate how much they identified with a set of five statements regarding their financial behaviors by selecting an option from *strongly disagree*, *somewhat disagree*, *neither agree nor disagree*, *somewhat agree*, or *strongly agree*. Finally, the survey ended with six questions related to respondents' educational and demographic backgrounds that were primarily in multiple choice format.

This survey received an exempt determination from UT-Austin's Institutional Review Board (IRB). I hosted this survey on UT's Qualtrics Survey tool, using an anonymous survey link to distribute to students. The survey link was emailed out to faculty in a variety of departments to share with their students and distributed in many UT student groups through social media platforms such as GroupMe, Slack, and Facebook.

Sample

Overall, 171 UT-Austin undergraduate students completed the survey. A full breakdown of responses to all student background questions can be found in Appendix B. By classification, respondents included 30 freshmen (17.5%), 37 sophomores (21.6%), 29 juniors (17.0%), 69 seniors (40.4%), and 6 super seniors (3.5%). Though respondents reported majoring in a variety

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[47] "Study on Collegiate Financial Wellness 2017 National Descriptive Report"
[48] Lin, Judy, et al.

of UT-Austin’s 13 colleges, 82.5% respondents came from the College of Liberal Arts, McCombs School of Business, or College of Natural Sciences. Respondents reported their parents’ highest level of education to be 54.4% a graduate’s degree or higher, 28.1% a bachelor’s degree, 7.6% some college, and 9.9% high school graduate. Students who reported their parents’ highest level of education to be a bachelor’s degree or higher were more likely to report their college tuition being paid for by “Parents/Family Income and Savings” than scholarships, grants, loans, or student income/savings: 65.6% for graduate’s degree or higher, 66.7% for bachelor’s degree, 46.15% for some college, and unreported in this same for high school graduate (see Figure 9). In the proceeding analysis, respondents’ answers will be analyzed in the context of various student background questions, and the relation between a parents’ highest level of education and how students’ tuitions are paid is important to note.

Figure 9: How Respondent’s Tuition is Paid for vs Parents’ Highest Level of Education

	Q4 Which of the following best describes how your college tuition is paid?			
Q3 Which of the following best describes the highest education level of your parent(s)?	Grants and Scholarships	Parents/Family Income and Savings	Student Income and Savings	Student/Federal Loans
Graduate Degree or Higher	24.7%	65.6%	3.2%	6.5%
Bachelor’s Degree	14.6%	66.7%		18.8%
Some College	23.1%	46.2%		30.8%
High School Graduate	76.5%		5.9%	17.6%

Findings

Financial Concept Questions

The conceptual portion of the survey included questions on five financial concepts: Q1 inflation, Q2 interest rates, Q3 loan repayment, Q4 credit scores, and Q5 taxes. Students may be exposed to these financial concepts in introductory economics courses students can take in college or high school. 42.2% of respondents were unable to answer 4 or more questions, with only 13.5% able to answer all 5 questions correctly (see Figure 10). In Figure 11, the percent of correct, incorrect, and *don't know* responses are listed for each of the five financial concept questions. While Q1, Q2, and Q3 each had correct response rates over 70%, Q4 and Q5 had lower correct response rates of 30% and 60% respectively. Below, I will discuss the breakdown of responses to each of these questions and the importance of the tested concept in more detail.

Figure 10: Amount and Percent of Respondents by Total Questions Correct

Total Questions Correct	# of Respondents	% of Respondents
0	9	4.7%
1	16	5.8%
2	33	15.8%
3	65	31.6%
4	32	28.7%
5	16	13.5%

Figure 11: Percent of Correct, Incorrect, and Don't Know Responses by Question

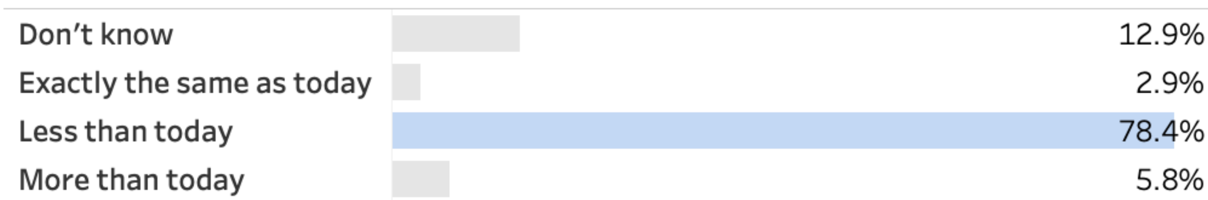
	% Correct	% Incorrect	% Don't Know
Inflation Question	78.4%	8.8%	12.9%
Interest Rate Question	70.2%	17.5%	12.3%
Loan Repayment Question	74.9%	17.6%	7.6%
Credit Score Question[49]	30.4%	56.7%	12.9%
Tax Question[50]	60.2%	25.2%	14.6%

Of all five question, the inflation question had the highest percent of correct responses (see responses in Figure 12). The key concept this question is testing is students understanding of how inflation affects interest rates. Students likely have exposure to this concept through economics courses in which this concept is explained through the difference between real and

[49] Credit Score Question asked for two responses, 30.4% correctly identified both responses
[50] Two answers were counted as correct for the Tax Question, 60.2% identified one of these two responses

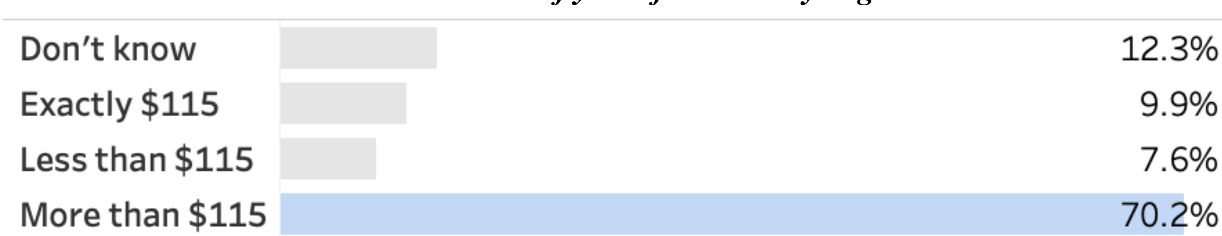
nominal interest rates. The approximation of this relationship that is often taught in introductory economics courses is *real interest rate = nominal interest rate - inflation*. When inflation, 3%, is higher than the nominal rate at which savings is accruing interest, 2%, the money will have less purchasing power when taken out, in this case accruing an approximate real interest rate of -1%. Understanding the impact of inflation on interest rates is important to keep students aware of the viability of various financial decisions in different economic conditions.

Figure 12: Imagine the interest rate in your savings account is 2% per year and inflation is 3% per year. After 1 year, how much would you be able to buy with the money from this account?



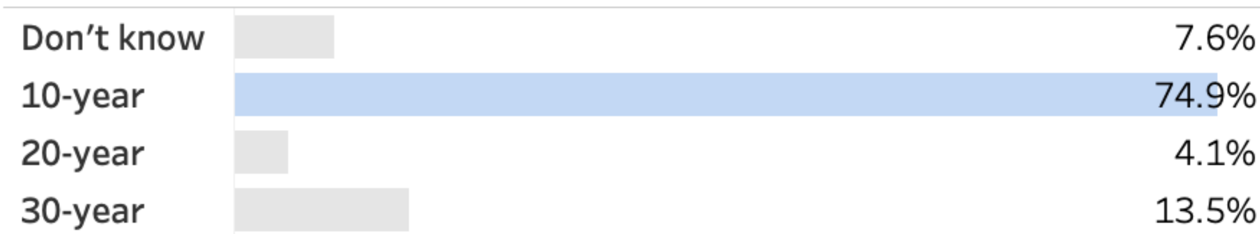
70.2% of respondents, 120 students, correctly answered the interest rate question which tested their understanding of compound interest rates (see responses in Figure 13). In this question, the $100 in savings would grow to $\$100 \times (1.03)^5 = \$115.90$ in five years: more than $115. Compound interest is a key concept for students to understand and explains why starting a savings account even a few years earlier can lead to significantly different financial outcomes.

Figure 13: Imagine you have $100 in a savings account and the interest rate is 3% compounded annually. If you do not withdraw any amounts for 5 years, how much would you have in the account if you left the money to grow?



With a growing number of students taking on student loans, it is becoming increasingly important for students to understand the implications of different loan repayment options. If the interest rate on a loan remains constant over time, a student will pay more interest for longer repayment periods: a concept related to compound interest. Though most respondents identified the correct answer, as seen in Figure 14, more than a quarter of respondents selected an incorrect or *don't know* answer.

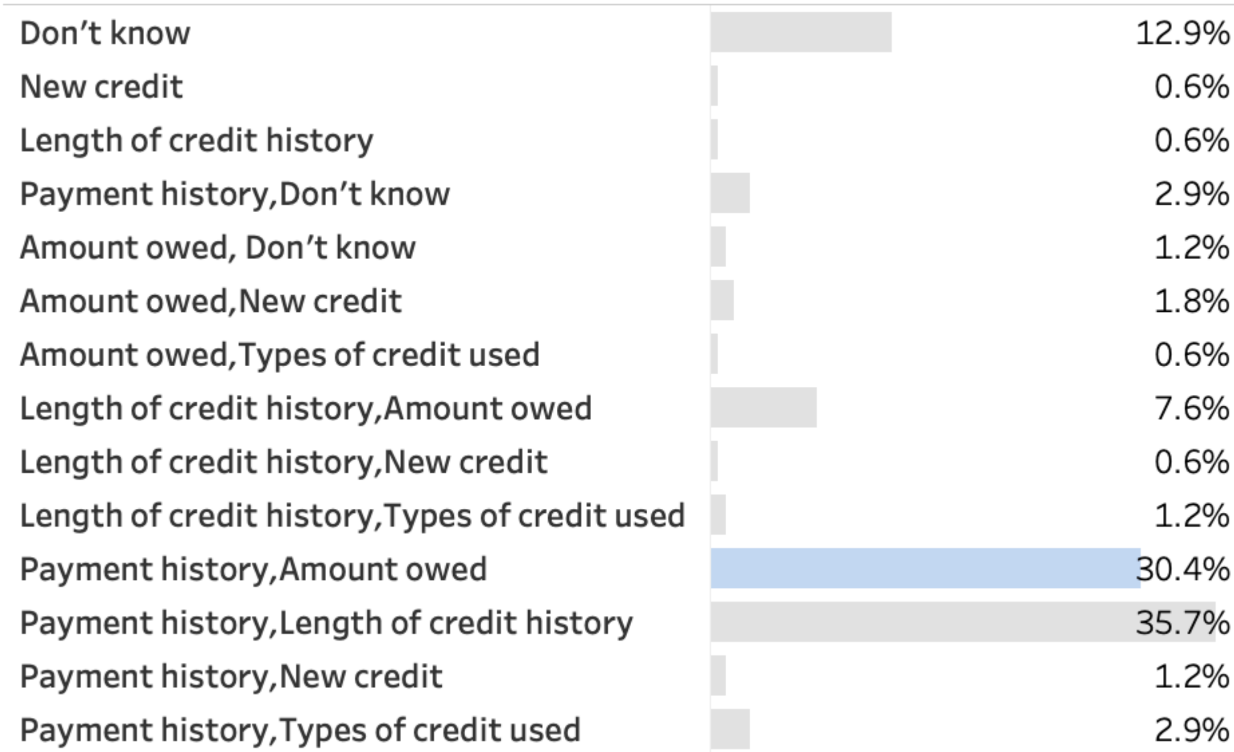
Figure 14: Suppose you borrowed $10,000, and can choose to repay the loan over 10 years, 20 years, or 30 years. Which option will cost you the least amount of money over the length of the repayment period?



The credit score question had the highest percent of incorrect or *don't know* responses (69.6%); however, this question also required two correct answer choices (see Figure 15). Several factors contribute to credit scores including payment history, amount owed, length of credit history, types of credit use, and new credit. Payment history and amount owed contribute the most to credit score, at 35% and 30%, respectively. While only 30.4% of respondents were able to correctly identify both of these responses, 84.2% of respondents were able to identify at least one of the top two factors. Length of credit history is the third largest factor in credit scores, accounting for 15%. 35.7% of respondents incorrectly selected payment history and length of credit history as the top factors. Unlike the first three financial concept questions, the credit score question, and the tax question discussed below, cover personal finance knowledge that is not covered in college-level economics courses students may have taken in the past.[51]

[51] *AP Macroeconomics Course and Exam Description*. CollegeBoard.

Figure 15: Which of the following make up the 2 largest factors* of your credit score?



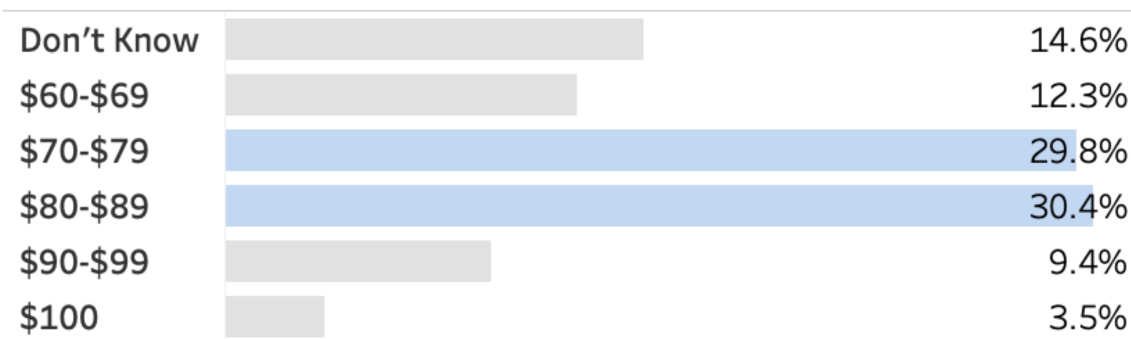
Respondents also struggled with the tax question (see responses in Figure 16). This question is modeled after a similar question in Ohio State’s financial wellness study which indicates the answer would be 70-79%, or $70-$79.[52] Only 29.8% of respondents selected the original correct answer of $70-$79. However, after further consideration of the question, I have decided to include $80-$89 as a correct answer as well.

All taxpayers are entitled to a standard deduction that can reduce their amount of taxable income. In 2019, this deduction was $12,200 for a single filer.[53] If respondents assumed that the stated student’s only taxable income was their $100 weekly income, this student would earn $5,200 annually and would not owe any income taxes because their total income is under the

[52] “Study on Collegiate Financial Wellness 2017 National Descriptive Report”
[53] “IRS Provides Tax Inflation Adjustments for Tax Year 2019 | Internal Revenue Service.” *IRS*, 6 Nov. 2019, www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2019. Accessed 7 May 2020.

standard deduction. Typically, a student in this scenario would still have income tax taken from their paycheck, leaving them with ~$70-$79, and receive this paid income tax back when they file for their refund. However, depending on how a worker fills out exemptions on their W-4 form, they could avoid having income tax taken out of their weekly paycheck. If this is the case, the student would only have social security and Medicare tax taken out, leaving them with ~$80-$89. Arriving at the $80-$89 answer requires a more in-depth knowledge of taxes; however, because it is impossible to determine how students interpreted this question, both selections are counted as correct. Understanding that taxes are taken out from gross pay is a fundamental personal finance topic; however, nearly 4 in 10 respondents selected an incorrect or *don't know* answer.

Figure 16: Suppose a student's weekly income is $100. After taxes such as income tax, social security tax, and medicare tax are taken out, how much should they expect as take-home pay?



Financial Behaviors

The next section of the survey asked students to what extent they identified with five statements about their financial behaviors. This section included a combination of statements addressing positive financial habits, self-efficacy, and stress. Several of these questions are also analyzed in the context of student background questions such as students' classifications, parents' highest level of education, and how their tuition or daily expenses are paid. While these background questions are not exhaustive, this analysis is described below to provide a starting point for further discussion on how a student's background can shape their financial well-being.

Developing and maintaining a budget is a positive financial habit that most UT-Austin respondents are not implementing in their daily lives (see Figure 17). 53.8% of respondents selected that they *strongly disagree, somewhat disagree, or neither agree nor disagree* with the statement "I have a budget and keep close track of how much I spend on things such as food, housing, and shopping." Student sentiment regarding their budgeting habits differed between the subgroups of how student tuition is primarily paid. 58.7% of respondents who reported that their college tuition was paid for by "Grants and Scholarships" selected that they *somewhat or strongly agree* that they have a budget (see Figure 18). In comparison, the same figure was 44.4% for respondents who reported their tuition was paid for by "Parents/Family Income and Savings" and 22.7% for respondents who reported their tuition was paid for by "Student/Federal Loans."

Figure 17: Responses to Budgeting Question

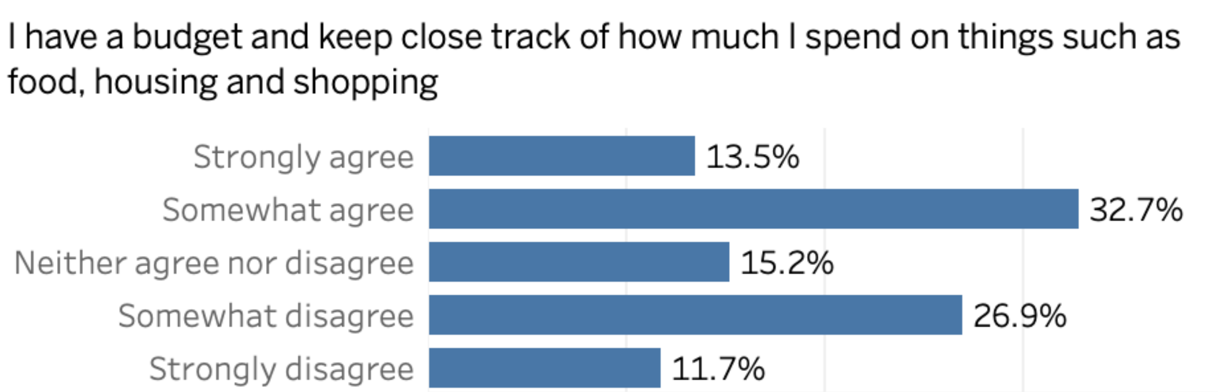
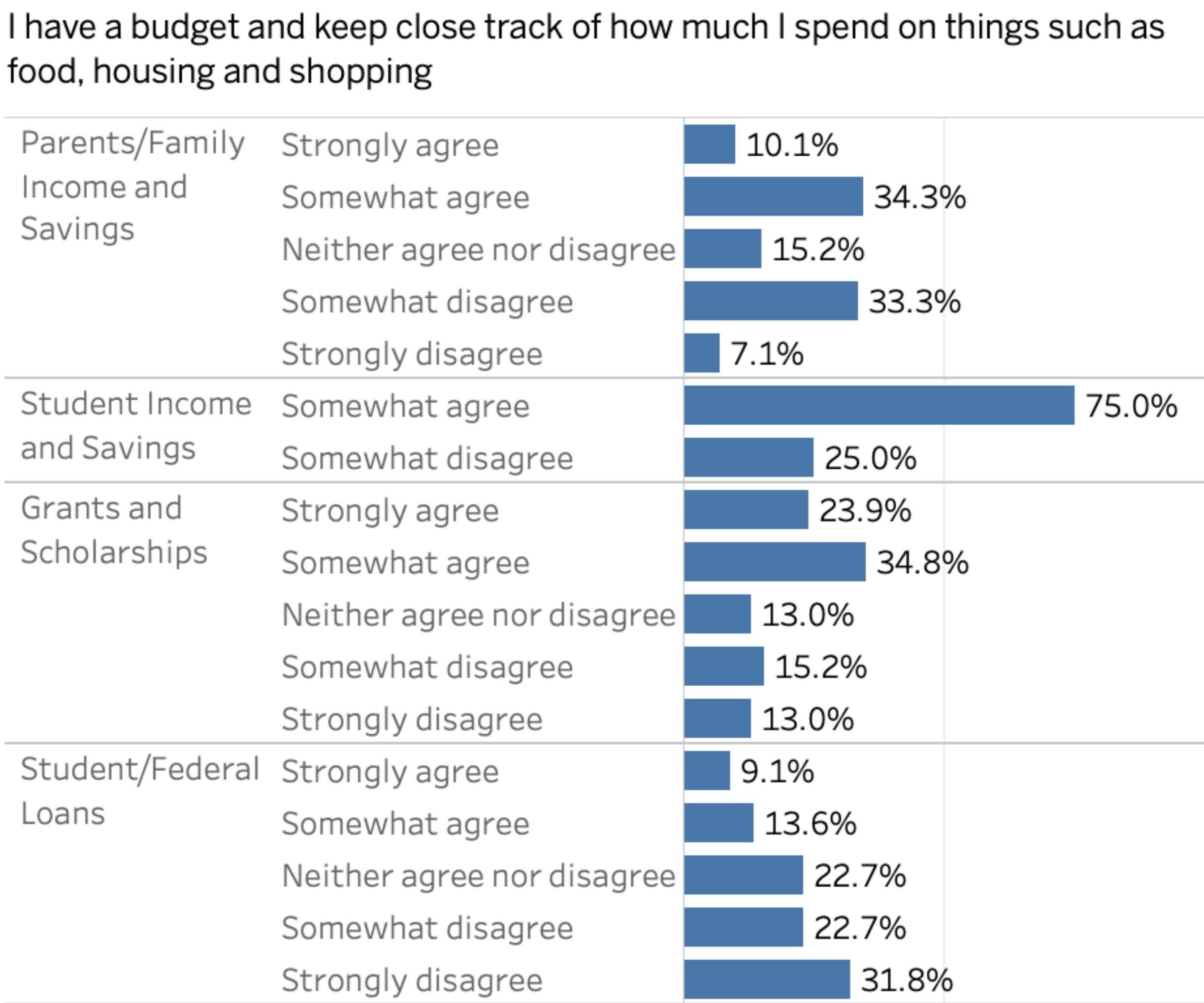


Figure 18: Responses to Budgeting question by How Student's Tuition is Paid



Respondents indicated more positive financial behaviors in response to the savings question. However, while 70.8% of respondents selected that they *somewhat or strongly agree* they "contribute money towards savings or investments regularly (or plan to when [they] have a steady income), it is the 29.2% of respondents that did not indicate they currently contribute or intend to contribute to savings that is most alarming (see Figure 19). Responses differ based on student tenure in college: 75.9% of upperclass students, Junior and above, selected *somewhat or strongly agree* to the savings question compared to 64.7% for underclass students, Freshmen and Sophomores (see Figure 20).

Figure 19: Responses to Savings Question

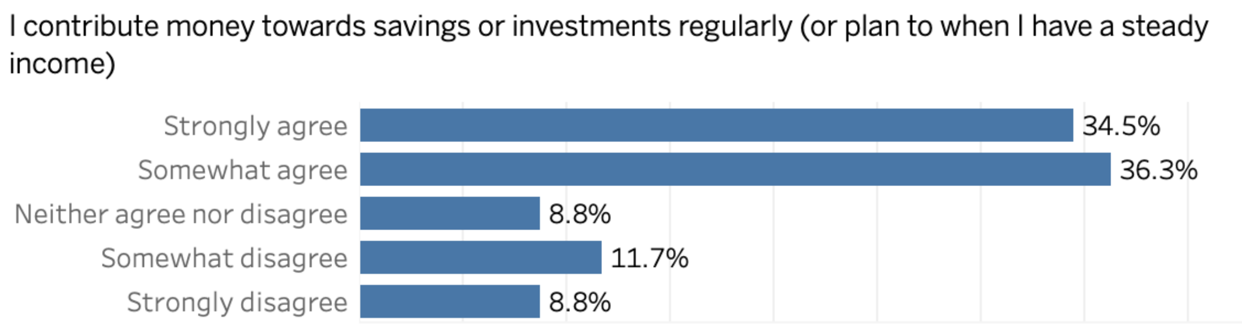
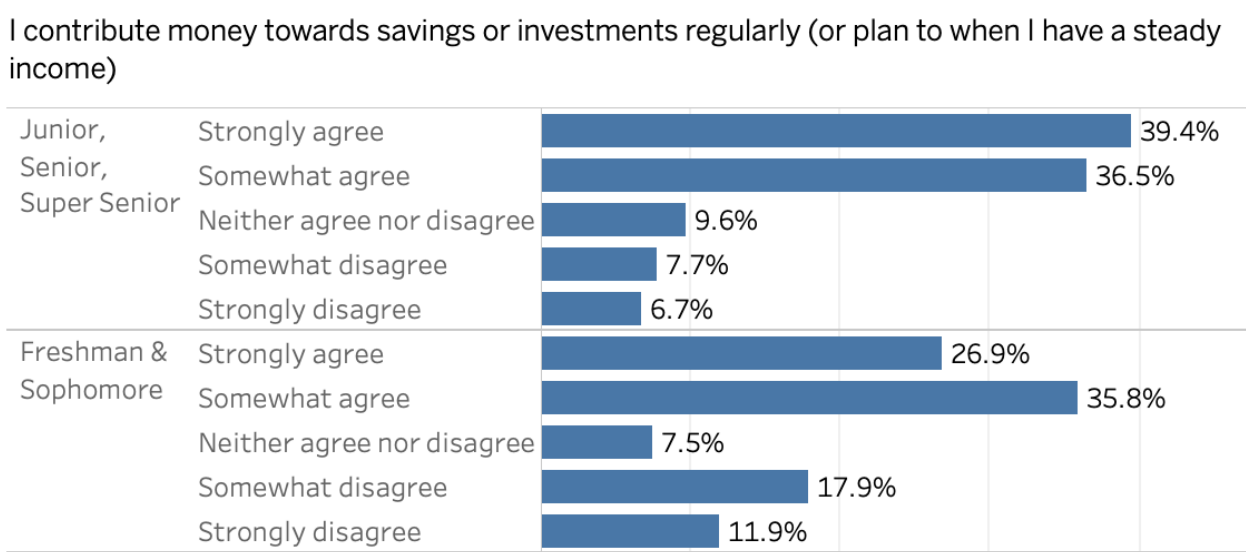


Figure 20: Responses to Savings Question by Classification



65.5% of respondents reported that they *somewhat or strongly agree* with that their "finances are a significant area of concern," indicating that financial stress among respondents is high (see Figure 21). This percent was particularly high among students who reported that their parents' highest level of education was a "high school graduate" or "some college": 76.5% and 76.9%, respectively (see Figure 22). Students who reported their parents' highest level of education to be a "graduate degree or higher" indicated lower levels of concern with 59.1% selecting *somewhat or strongly agree*.

Figure 21: Responses to Financial Concern Question

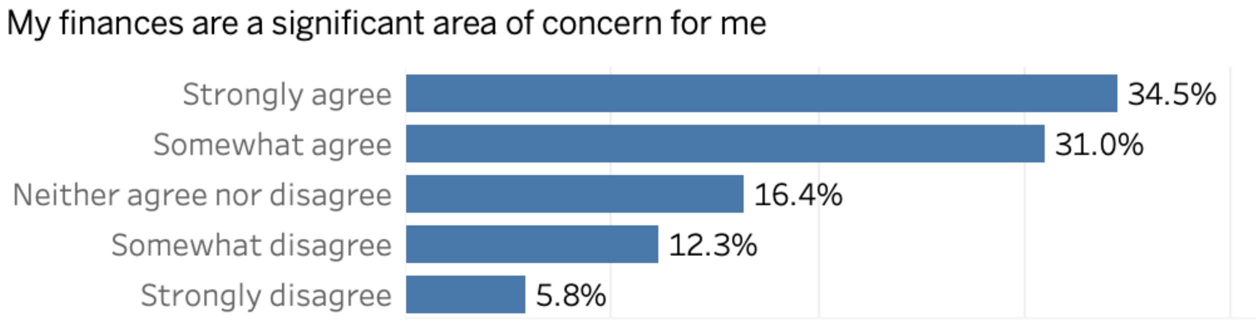
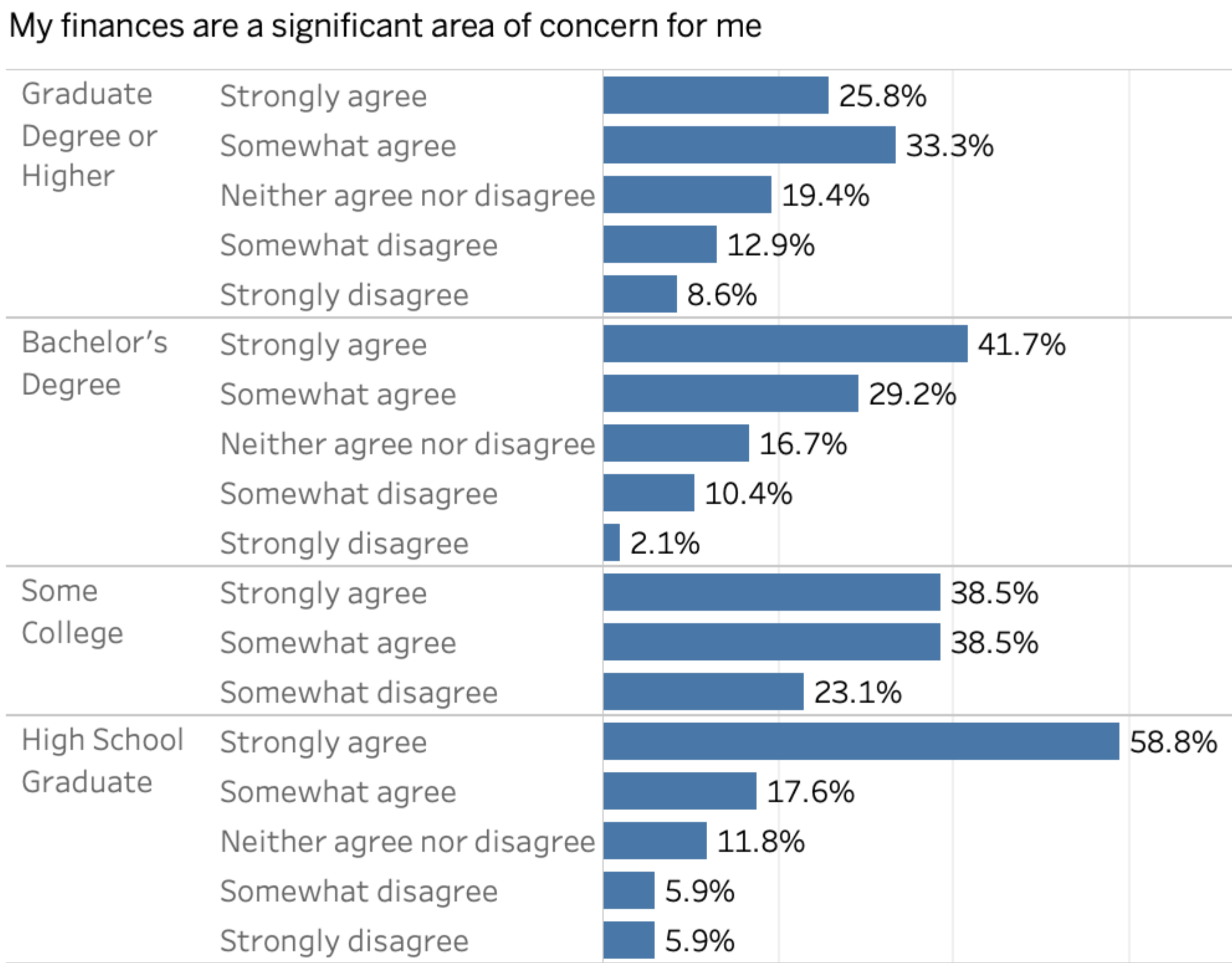
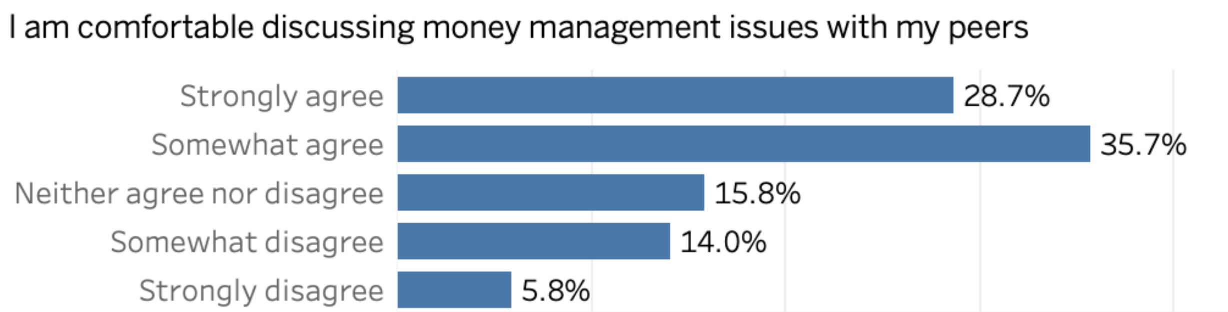


Figure 22: Responses to Financial Concern Question by Parents' Education Level



64.3% of respondents indicated that they *somewhat or strongly agree* with the statement "I am comfortable discussing money management issues with my peers." Being able to discuss money-related matters with peers contributes to higher levels of financial socialization and can help students during times of financial strain. Responses to this question did not appear to change significantly based on responses to selected student background questions.

Figure 23: Responses to Money Management Discussion



35.7% of respondents reported that they *somewhat or strongly disagree* with the statement "I feel capable planning for my financial future after college" (see Figure 24). Given the large role a college education plays in determining a student's future job and starting pay, the large fraction of students that feel incapable of planning their finances after college is incredibly sobering. In Figure 25, these responses are broken down by respondent's top three reported colleges. McCombs' students report the highest levels of capability, with 65.6% selecting they *somewhat or strongly agree* with this statement, compared to the College of Natural Sciences (52.4%) and College of Liberal Arts (44.5%).

Figure 24: Responses to Financial Future Question

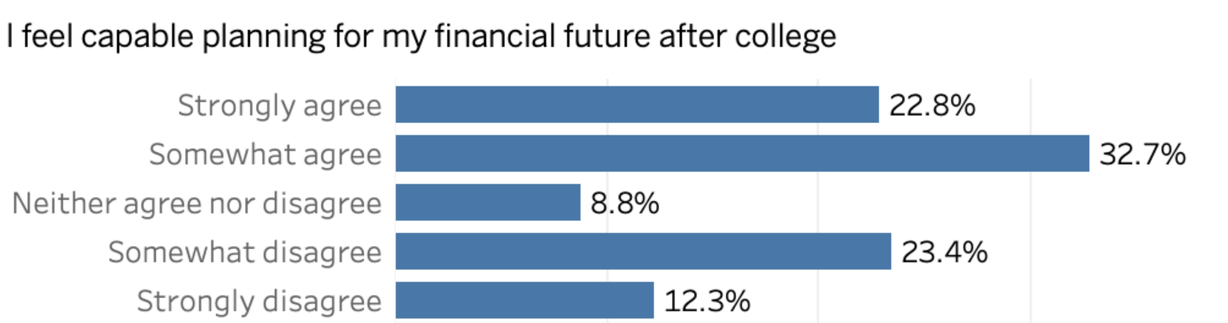
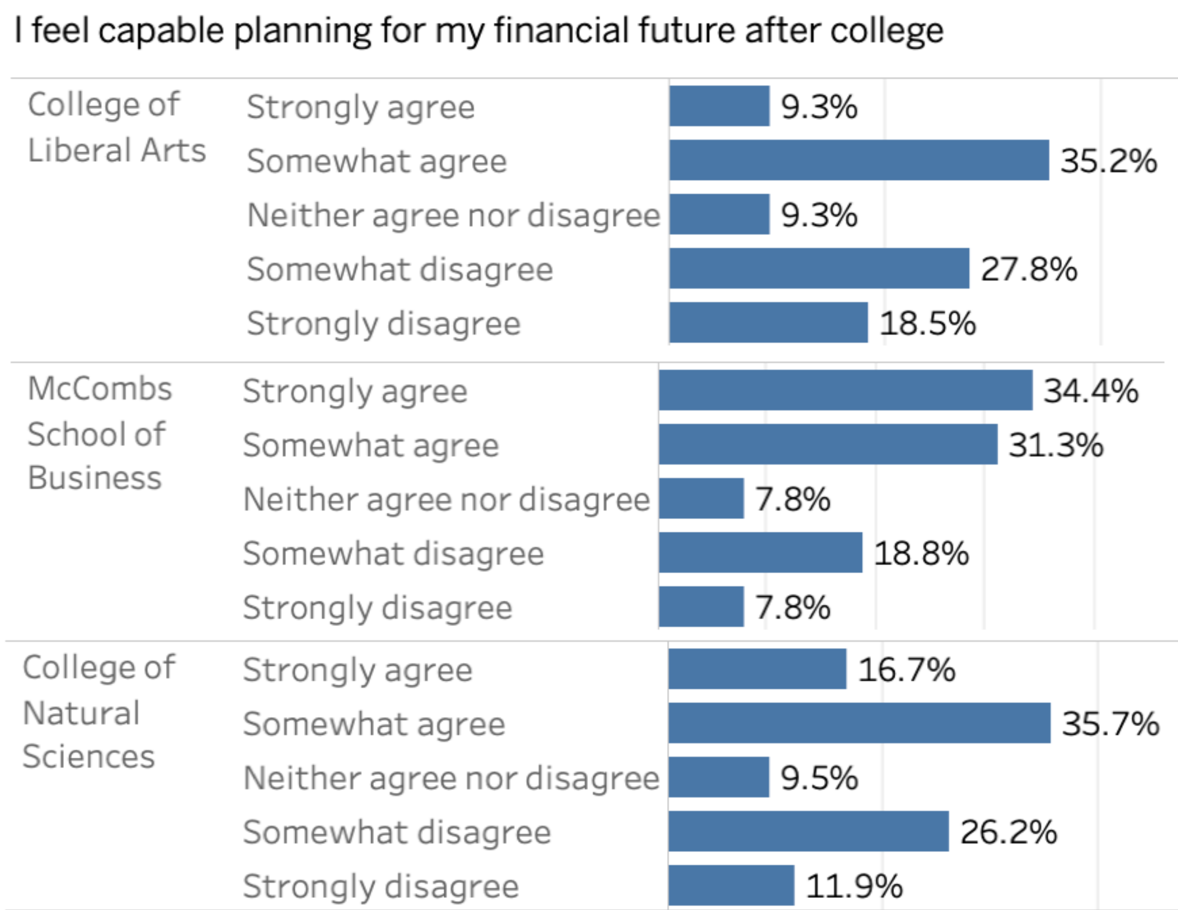


Figure 25: Responses to Financial Future Question by College



Discussion

Limitations

It is important to note that there are several limitations with this survey's methodology that may prevent it from painting a full picture of financial well-being among all UT-Austin students. Rather, the results of this survey can serve as a starting point for more comprehensive UT-Austin personal finance studies. Seniors and McCombs students were overrepresented in this survey's sample, and likely not representative of all UT-Austin students due to several reasons including the fact that McCombs students are required to take economics and finance courses that their peers in other colleges are not.

This survey was distributed online through social media platforms and Canvas announcements; therefore, the sample in this survey is not randomly selected. Because students were able to take the survey on their own, some students may have been able to look up the answers to the financial concept questions, potentially contributing to higher performance on these questions.

Additionally, only a few student background and demographic questions were included in this survey. These questions were selected to shed light on some factors that may contribute to differences in personal finance knowledge and behaviors, but are by no means comprehensive. In future studies, more student demographic/background questions such as parent/guardian's income, type of secondary education, gender, and exposure to previous personal finance education should be included as well.

The financial concept and behavior questions in this survey were based on questions in other nationwide surveys; however, they only test on a narrow set of personal finance topics. Further studies of UT-Austin students with a larger set of personal finance questions are needed to determine the areas of the personal finance that students struggle with most. Questions regarding students' credit card payments, bank account overdrafts, and perception of UT's financial literacy resources are particularly important to include. Finally, as described in the tax rate question's explanation, this question could have been reworded to provide students with more clarity on the scenario being described.

Key Takeaways

Despite the limitations to this survey, the studied sample provides some key insights into the personal financial wellness of UT-Austin students. In the financial concept section, UT-Austin students performed at comparable levels to respondents from four-year public institutions in the

2017 Ohio State SCFW when compared across similar questions (see Appendix C for response comparisons).[54] However, results of the financial behavior section indicate that students are not truly implementing positive personal finance behaviors in their daily lives. Because financial wellness can take many different forms for different people, surveys like these are important to help track how students' general financial knowledge and behaviors are changing over time. While this survey provides some insights into the current financial well-being of undergraduate students at UT-Austin, it is critical that similar metrics are continually measured over time to truly understand how the general student body, and specific sub-groups are performing over time. The results of this 2020 study on UT-Austin undergraduate student financial wellness reveal several key takeaways, discussed below.

1. Students are not engaging in positive personal financial behaviors

53.8% of respondents indicated that they do not currently keep a budget to track their spending behavior and 29.2% of respondents indicated they do not contribute, or intend to contribute, towards savings and investments. Keeping a budget and maintaining a savings account are two basic elements of developing healthy financial habits. The current economic crisis surrounding COVID-19 has shed light on the importance of establishing these positive financial behaviors, and these habits take time to develop. Students who are not implementing basic personal finance behaviors during college may struggle to develop sound financial habits when they enter the workforce and face more critical financial decisions.

[54] The only exception to this was the inflation question, in which UT-Austin respondents scored significantly higher with a correct response rate of 78.4% compared to 51.8% for SCFW respondents. This difference may be due several reasons including different sample populations and question wording.

2. Students experience stress concerning their finances

Nearly two in three UT-Austin students feel that their finances are a significant area of personal concern. Beginning college brings on many changes in a student's life, and students deserve resources to mitigate the financial stress they are facing. This concern and stress will only be exacerbated during times of economic distress. Therefore, establishing healthy financial habits early on is crucial: it helps people develop safety nets that can weather them through times of confusion and stress. Additionally, 35.7% of respondents feel incapable of planning for their post-graduate financial future. A college education provides students with the skills they need to begin a successful career, but students should also feel equipped to handle the financial responsibilities that their post-graduate plans will provide them with. Students need more resources to alleviate their financial stress as they transition from college to the workforce.

3. Financial behaviors differ across several components of student background

A student's perception of money, budgeting, and spending is shaped by their upbringing and prior relationships with money. Survey results indicate that student financial behaviors differ by the college in which they are majoring, their parents' highest level of education, how their expenses are paid, and even their tenure in college. For example, as seen in Figure 22, ~76% of respondents who reported their parents' highest education level to include high school or some college indicated high levels of financial concern compared to ~63% for respondents who reported their parents' highest educating level to be a bachelor's degree or higher. This survey has shed light on only a few of the ways that a student's background can influence their financial behaviors, and it is likely that there are more student subgroups that may facing heightened levels of financial stress and practicing more negative financial behaviors than their peers that we are unaware of. In order to provide more effective financial resources for its students, UT-Austin should conduct further studies to determine which factors may differentiate more financially vulnerable students and how best to target these students.

CHAPTER IV: FILLING IN THE GAPS

Before the economic crisis surrounding COVID-19, the United States Financial Crisis of 2007-2008 was a tipping point that shed light on growing financial inequality across the country. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was one of the most sweeping regulatory bills to arise in the years following the Financial Crisis. Dodd-Frank sought to protect consumers from future institutional failures; however, this was not the first time our national government had developed initiatives to improve the financial well-being of Americans.

In 2003, the Fair and Accurate Credit Transactions Act (FACTA) was enacted to amend the 1970 Fair Credit Report Act (FCRA). FACTA included several elements to protect consumers including providing individuals with one free credit report a year and forming the Financial Literacy and Education Commission (FLEC).[55] Through the passage of the Dodd-Frank Act, the Consumer Financial Protection Bureau (CFPB) was created to oversee a variety of consumer financial laws and currently works with the FLEC to develop and maintain the national financial literacy strategy.[56] The National Strategy for Financial Literacy was published in 2011 and is based on four primary goals: (1) "increase awareness of and access to financial education," (2) "determine and integrate core financial competencies," (3) "improve financial education infrastructure," and (4) "identify, enhance, and share effective practices."[57] This National Strategy not only guides the work of the CFPB, but also shapes how other government agencies prioritize financial education initiatives.

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[55] *FAIR AND ACCURATE CREDIT TRANSACTIONS ACT OF 2003*. 4 Dec. 2003, www.congress.gov/108/plaws/publ159/PLAW-108publ159.pdf. Accessed 7 May 2020.
[56] Dodd-frank Wall Street Reform and Consumer Protection Act: Conference Report (to Accompany H.r. 4173). Washington: U.S. G.P.O, 2010. Print.
[57] *Promoting Financial Success in the United States: National Strategy for Financial Literacy*. Financial Literacy and Education Commission, 2011.

Over the past decade the CFPB has worked to create more online resources for consumers to access regarding a variety of financial decisions they may be facing.[58] These resources include guides on how to compare methods of paying for college, select between different mortgage options, and differentiate between retirement savings plans.[59] Part of the CFPB's motivation in creating these resources is not only for use by consumers, but also to benefit organizations that share in their purpose of improving consumer financial well-being.

Improving financial literacy and access to financial planning resources for all Americans is no small feat. While governmental organizations such as the CFPB has made great strides to provide resources on financial literacy, they rely on other non-profit, social, and community organizations to spread information to consumers.[60]

These separate organizations can provide a more detailed personal finance strategy to target specific populations. One such organization, the Jump$tart Coalition For Personal Finance and Literacy (Jump$tart) is a nonprofit coalition of national organizations[61]. First established in 2007, Jump$start develops financial education standards tailored for K-12 students to help shape future generations of financially responsible consumers. In 2015, Jump$tart published a revised set of standards concerning six primary topics of personal finance including Spending and Saving, Credit and Debt, Employment and Income, Investing, Risk Management and Insurance, and Financial Decision Making.[62] Each of these categories include detailed benchmarks for Kindergarten, 4th grade, 8th grade, and 12th grade proficiency.[63] Jump$tarts' mission directly

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[58] "Consumer Financial Protection Bureau." *Consumer Financial Protection Bureau*, www.consumerfinance.gov. Accessed 7 May 2020.
[59] Ibid.
[60] *Financial Literacy Annual Report*. Consumer Financial Protection Bureau, Oct. 2016.
[61] "Jump$tart Coalition: Financial Smarts for Students." *Jump$tart Coalition*, www.jumpstart.org. Accessed 7 May 2020.
[62] *National Standards in K-12 Personal Finance Education*. Jump$tart Coalition for Personal Financial Literacy, 2017.
[63] Ibid.

relates to the FLEC's strategy of "starting early for financial success:" a strategy that stems from research that indicates early exposure to financial concepts can help students develop their financial well-being in the long-term.[64]

While implementing a robust personal finance education early on is necessary to provide students with a foundation to make future decisions, the complexity of these decisions increases as students get closer to entering the workforce. College graduation typically represents a critical point in a young adult's life as students begin to face much more significant financial decisions; decisions that are not often discussed in traditional economics courses.

The FLEC has also developed best practices for institutions of postsecondary education. These include (1) "providing clear, timely, and customized information to inform student borrowing," (2) "effectively engaging students in financial literacy and education," (3) "targeting different student populations by use of national, institutional, and individual data," (4) "communicating the importance of graduation and major repayment of student loans," and (5) "preparing students to meet financial obligations upon graduation."[65] Implementing these best practices in higher education institutions will require significant efforts, but is critical to helping students shape their financial futures after graduation.

The Coalition of Higher Education Assistance Organizations (COHEAO) outlines many financial decisions that college students and young working adults face in an effort to help colleges and employers develop more robust personal finance programs.[66] The positive financial behaviors that the COHEAO recommends for students are largely based on the significant

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[64] Ibid.
[65] *Best Practices for Financial Literacy and Education at Institutions of Higher Education*. U.S. Financial Literacy and Education Commission, 2019.
[66] *Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction COHEAO Financial Literacy Awareness White Paper*. Coalition of Higher Education Assistance Organizations, 2014.

financial decisions students have to make at different points in their academic careers. For students entering college, these positive financial behaviors include managing their bills, maintaining emergency savings plans, and seeking information for upcoming financial decisions.[67] As students progress throughout college and get closer to entering the workforce the decisions that they face begin to change. When students enter college, the most critical decisions they face include choosing how to finance a college education, choosing where to go to college, and choosing what major they want to pursue.[68] As they begin the transition from being students in the education system towards becoming employees in the work force, these decisions begin to include things such as differentiating between student loan repayment plans, selecting between different options for health insurance, and beginning to save for retirement.[69] The variety and scope of decisions that college students have to make within such a short time span reveals the importance of educating college students on the financial decisions that they may face when they enter the workforce. However, though these critical decisions greatly influence the future financial well-being of our nation’s workforce, college students often do not have adequate resources to navigate these decisions.

From the CFPB to Jump$tart, many organizations have created many personal finance resources for students at the secondary and post-secondary; however, these resources can be difficult to navigate and aren’t necessarily tailored to students’ specific needs. Universities, in particular, can help provide students with resources that are focused on their unique financial decisions by both aggregating existing resources and offering university-wide financial wellness programs.

[67] Ibid.
[68] Ibid.
[69] Ibid.

COHEAO has identified several successful models of implementing financial wellness programs in higher education institutions that serve as a helpful guide for building out programs or students at institutions such as UT-Austin.[70] These models include considering several formats for programs:

"Interactive online programs": These online programs allow universities to target many students in a cost-efficient way. Students also have the ability to go through these programs on their own time and they are incredibly flexible. More successful interactive online programs have multimedia elements and real-life exercises that help keep students engaged and retain the information after the program is complete.

"Classroom-based programs": A traditional, semester-long personal finance class and personal finance lectures hosted by outside guests are examples of classroom-based programs. This more traditional format allows universities to reach many students; however, also requires significant resources to deploy across a university.

"Game-based education": Financial games may come in the form of online simulations, board games, or some hybrid form of traditional and online games. The National Financial Educators Council features many such games on their website including "Real Money Simulator," a game that simulates financial decisions young adults may face such as selecting a career and creating a budget.[71] Like interactive online programs, game-based education platforms help institutions reach many students and are adaptable to students' schedules.

"Event-based programs": Events such as one-off workshops do not necessarily provide students with an in-depth understanding of personal finance, but rather serve to get students

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[70] *Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction COHEAO Financial Literacy Awareness White Paper*.

[71] "The Real Money Experience Personal Finance Simulation." *National Financial Educators Council*, 2019, www.financialeducatorscouncil.org/personal-finance-simulation/. Accessed 7 May 2020.

interested in pursuing additional resources. Schools can utilize community leaders, notable alumni, and prizes to attract students to such events.

"Individual counseling": Universities can offer both professional and peer-to-peer mentoring options for students that are seeking help planning for their financial futures. While this model requires employing and training many individuals, it provides students with more in-depth guidance on shaping their financial goals.

These examples of financial literacy programs are a great starting point for higher education institutions to begin developing programs tailored to their own students. However, many of these programs will also require significant efforts to publicize across campuses and encourage students to get involved. In its whitepaper on Financial Literacy in Higher Education, the COHEAO also outlines several suggestions to help universities develop promotion campaigns for their personal finance initiatives. These include:

Utilizing surveys and focus groups: In order to develop an effective personal finance education program, institutions must first understand the needs of their students. Utilizing comprehensive surveys, such as Ohio State's SCFW, to track student performance on financial literacy and behavior questions will help universities not only tailor programs to students, but also will allow universities to track the success of their programs over time. Conducting focus groups can also provide an additional level of insight into students' current financial behaviors.

Creating a task force: Developing robust personal finance programs is a significant undertaking that existing university departments may not be able to take over completely To ensure the successful creation and deployment of these programs, COHEAO recommends that universities develop a specific "financial literacy task force" of faculty and administrators from across campus including from departments that oversee academic advising, financial aid, career selection, student affairs, and alumni relations.[72]

Fostering competitiveness: Not all university-sponsored personal finance initiatives will be able to implemented as mandatory programs for students. To improve students' willingness to engage in optional financial wellness programs, institutions can add a competitive element that encourages more students to get involved. In the past, universities have developed contests to encourage student involvement with prizes ranging from social media features to material prizes. Universities can also take advantage of existing collegiate rivalries to create competitions with other universities.

Engaging the community: Personal finance programs are also a great way for universities to bring in local businesses and prominent alumni. Involving the community can help bolster awareness of new initiatives, incentivizing students to come out to events to see notable community members and/or participate in programs in exchange for raffles or vouchers for local businesses.

Continue iterating: As universities implement financial wellness programs, it is imperative that they adopt an attitude of continued support and adjustments. Continually checking in with students through focus groups and assessments will provide universities with valuable feedback on how programs are being received by students, and universities should remain dedicated to iterating on programs based on this feedback. The surveys that universities use to gauge financial wellness will also require changes as more complex financial concepts arise and the needs of students change every year.

[72] *Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction COHEAO Financial Literacy Awareness White Paper*.

COHEAO has outlined several recommendations for institutions to both create and promote personal finance programs for students. Each of these recommendations can be tailored to the specific needs of students, and are a great starting point for discussion. As described in Chapter 3, many UT-Austin students are not demonstrating positive financial behaviors in their daily lives and developing personal finance programs at UT-Austin can help instill these behaviors in students. In the proceeding chapter, I will lay out several recommendations on how UT-Austin may be able to implement some of these ideas into initiatives to improve overall student financial well-being.

CHAPTER V: RECOMMENDATIONS FOR UT-AUSTIN

The results of the UT-Austin student survey reveal some troubling insights regarding undergraduate student financial well-being. Institutions that prioritize student financial well-being not only benefit individual students by helping them develop positive financial habits early on, but can also benefit universities in the future by increasing the value their degrees provide and encouraging more alumni involvement. As described in Chapter 4, many organizations have development guidelines and resources for institutions to develop personal finance standards for their students. So, what steps can UT-Austin take to improve overall student financial wellness?

Student financial wellness can only be improved if the university is regularly tracking student financial knowledge, behaviors, and sentiment. Creating a system to measure student financial wellness will require significant efforts; however, UT-Austin may be able to utilize existing initiatives to create and deploy such a survey. Many organizations offer financial wellness surveys that UT-Austin can use as models in developing its own methods of student assessment. These surveys should include similar questions to those of the Ohio State study, and will not need to include personally identifiable data. Rather, results of such a survey would be used to aggregate financial wellness information by various factors of student background so that administration can develop resources tailored to the specific needs of students. Establishing such a survey would also require the university to engage in discussions surrounding the key personal finance information that students should be exposed to during college and how they can best measure student financial literacy along these measures: key topics of discussion to enable the success of any financial wellness program.

UT-Austin also has existing organizational bodies that may be able to oversee the development of these surveys and other student financial wellness initiatives. The university's

Office of Financial Aid, Faculty Council, and Legislative Student Organizations are comprised of the key stakeholders for such initiatives. Together, representatives from each of these areas would be able to provide unique perspectives on how these programs will impact students and the university as a whole. Additionally, as part of the University of Texas system, UT-Austin can work with stakeholders at peer institutions to develop a statewide program and drive a larger discussion about student financial well-being all across Texas.

To improve personal finance knowledge among UT-Austin students and better equip students to manage their future finances, UT-Austin should consider implementing one or more of the following recommendations.

Recommendation #1: *Offer Online Personal Finance Programs*

To ensure that all UT-Austin students have access to critical personal finance education during their time on the forty acres, the university should consider developing a free online personal finance program that is open to all students to take. Students currently have the option to take a personal finance class as an elective housed in the Human Development and Family Sciences (HDF) Department within the College of Liberal Arts or through the Business Foundations Program; however, not all students can add an additional elective course to their schedule without affecting their graduation timeline. A free online program can help bring attention to the importance of personal finance education and is more accessible by students than an in-person class. This course should cover personal finance topics such as how to develop a budget, track spending, create a savings plan, choose between different savings and investment accounts, choose between buying or leasing a car, and select a loan repayment plan.

This seminar course can take on many forms. One option is to develop one-hour interactive videos on different personal finance topics and store links to these videos on UT's Texas One

Stop page. These videos could be developed in partnership with other universities or third-parties. The University of Texas System offered five live "financial wellness strategy webinars" hosted by third party financial institutions as part of its "2019 Keep UT Active Challenge" targeted at UT employees and their families.[73] Topics included "retirement income strategies" and how to "identify and prioritize your savings goals."[74] Previous initiatives like this can serve as a model for what a student-focused online program could look like. The content could also come from existing courses that cover topics of personal finance. In addition to the personal finance course offered through HDF and the Business Foundations program, the McCombs School of Business is beginning to incorporate more personal finance curriculum in its introductory finance course, FIN 357: a required course for all McCombs students. The university could work with professors teaching these courses to develop the online content for all students to access.

I am pleased to see that UT-Austin administration appears to already be at work creating more online student financial wellness resources. When I began writing this thesis, the Office of Financial Aid's website only had a brief list of third-party resources on money management for students to reference. However, during the spring of 2020 a message was added to the website announcing a forthcoming Financial Wellness program; as of May 4, 2020, the message states:[75]

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[73] "Financial Wellness." *The University of Texas System*, 2019, www.utsystem.edu/offices/employee-benefits/stress-less/financial-wellness. Accessed 7 May 2020.
[74] Ibid.
[75] "About - Office of Scholarships and Financial Aid - The University of Texas at Austin." *Office of Scholarships and Financial Aid*, finaid.utexas.edu. Accessed 4 May 2020.

Financial Wellness is a campus-wide financial literacy program that offers money management events, training, and one-on-one financial coaching to all UT students, both financial aid and non-financial aid recipients.

New website with information about financial counseling, events, and more coming soon!

This *Financial Wellness* program would be a great resource for students, and is desperately needed. I was unable to find specific details of this initiative since I first noticed the program announcement, but look forward to seeing how UT-Austin develops this program and hope that all students will be made aware of this resource.

Recommendation #2: *Open more sections of HDF 322/FIN 322F: Personal and Family Finance*

The HDF department at UT-Austin has housed HDF 322: Personal & Family Finance for many years. As explained in past course syllabi, this course seeks to cover "a number of topics that adults in our society face through their lives, including: financial planning, housing, taxation, cash management, credit, and insurance coverages families utilize for asset protection."[76]

Over the years, a couple of sections of HDF 322 were offered every semester. However, due to retirement of faculty within HDF, the department struggled to find faculty and not as many sections could be offered. Recently, the course became cross-listed with McCombs' finance department as FIN 322F: Foundations of Personal Finance and is an upper-division course open to non-McCombs students. For the near future, two sections of this course will be offered in both the fall and the spring. This course is a great opportunity for non-business majors to gain exposure to the area of personal-finance; however, it requires students to enroll in a three-hour

[76] Karrol, Kitt. Syllabus for Personal and Family Finance. Department of Human Development and Family Sciences, U of Texas, Austin, Fall 2010.

elective course that many students may be unaware is offered or may not have room for in their schedules.

UT-Austin should not only increase awareness of the course, but should also be offering more sections in the future to accommodate potential interest. One way this can be achieved is by promoting the course in introductory classes and making all college advisors aware of the course's description so they can suggest the course to students seeking more personal finance knowledge. While the course is currently restricted to upper-class students, personal finance may also be of interest to under-class students as they develop their college financial habits. To offer the course to younger students, the course content could be expanded into the College of Undergraduate Studies through personal finance-related UGS 302 and UGS 303 seminar courses.

Ultimately, though this recommendation would increase the availability of personal finance elective classes, it still requires students to actively seek out a credit course and will likely not benefit the students who need this curriculum the most. Thus, this recommendation must occur concurrently with the creation of more online resources that all students can access.

***Recommendation #3**: Implement AlcoholEdu-style Personal Finance Online Learning Module*

All first-year students must complete AlcoholEdu, an online alcohol awareness learning module, in order to register for classes.[77] Requiring completion of these online modules provides all students with some baseline education on a topic of significance for many undergraduate students. In a similar manner, UT-Austin could develop a online personal finance module for students to complete that can help expose students to personal finance concepts they should be aware of and navigate through any resources that may be available to students through the new

[77] "AlcoholEdu." *University Healthy Services*, www.healthyhorns.utexas.edu/AlcoholEdu/index.html. Accessed 12 May 2020.

Financial Wellness program. Such a learning module does not necessarily need to be tied to student registration, and can be offered as a mandatory or optional program.

A mandatory program will ensure, that unlike the prior two recommendations which require students to opt-into personal finance education, all students will complete the program and at least be made aware of relevant issues of personal finance. However, an optional program can still attract students if the program is tied to other incentives such as kicking off the online modules with a large campus event to increase awareness; creating a competition between UT-Austin and a rival college, such as Texas A&M or Oklahoma University, for the most amount of student completions; or entering students who complete the program into a lottery for local business vouchers.

CONCLUSION

There are several avenues institutions like UT-Austin can pursue to improve the financial well-being of their students. Ultimately, what is most critical is that institutions recognize the importance of fostering the financial well-being of their students during college and lay the groundwork for personal finance initiatives to succeed. At UT-Austin, this will involve three primary steps. First, UT-Austin must bring together a group of key stakeholders including faculty, students, and financial aid officers to oversee related initiatives. Then, it must develop a regular system to assess student performance on a variety of financial topics and aggregate data based on several factors that make up a student's background. Finally, the university must develop personal finance programs that target the specific needs of students and are accessible by all students.

The recommendations outlined in Chapter 5 provide several starting points for UT-Austin to consider as it develops a more robust personal finance initiative. Recommendation #1: *Offer Online Personal Finance Programs* offers the greatest potential with the ability to include robust personal finance curriculum that is accessible for all students, and it appears that the university is already getting started on a similar initiative. Recommendation #2: *Open more sections of HDF 322/FIN 322F: Personal and Family Finance* provides the most in-depth personal finance education for students, but may not be accessible to most students. Recommendation #3: *Implement AlcoholEdu-style Personal Finance Online Learning Module* involves less resources and is less in-depth, but is accessible and scalable. It is likely that no one recommendation will alleviate the financial stress students are facing and fully equip them for the future, rather UT-Austin should implement a combination of several initiatives to offer students a variety of options to pursue their personal finance education.

While personal finance education does not solve lack of income or systemic economic inequity, it enables individuals to best manage the financial decisions they face and all college students should feel empowered with this knowledge before they graduate. The need for greater personal finance programs for students is clear, UT-Austin can look to existing guidelines for success to create these programs and enrich the financial well-being of all incoming longhorns to come.

APPENDIX

Appendix A: UT-Austin Student Financial Wellness Survey

Thank you for participating in this brief (~5 minute) survey to assess UT student personal finance knowledge. Participating in this survey is voluntary and no identifiable information about participants will be collected as part of this research.

Click to the next page if you agree to participate in this survey. You may exit the survey at any time should you choose.

---PAGE BREAK---

1. Imagine the interest rate in your savings account is 2% per year and inflation is 3% per year. After 1 year, how much would you be able to buy with the money from this account?
   a) More than today
   b) Exactly the same as today
   c) Less than today (answer)
   d) Don't know
2. Imagine you have $100 in a savings account and the interest rate is 3% compounded annually. If you do not withdraw any amounts for 5 years, how much would you have in the account if you left the money to grow?
   a) More than $115 (answer)
   b) Exactly $115
   c) Less than $115
   d) Don't know
3. Suppose you borrowed $10,000, and can choose to repay the loan over 10 years, 20 years, or 30 years. Which option will cost you the least amount of money over the length of the repayment period?
   a) 10-year (answer)
   b) 20-year
   c) 30-year
   d) Don't know
4. Which of the following make up the 2 largest factors of your credit score?
   a) Payment history (answer)
   b) Length of credit history
   c) Amount owed (answer)
   d) New credit
   e) Types of credit used
   f) Don't know
5. Suppose a student's weekly income is $100. After taxes such as income tax, social security tax, and medicare tax are taken out, how much should they expect as take-home pay?
   a) $100

b) $90-$99
c) $80-$89 (also accepted as answer)
d) $70-$79 (answer)
e) $60-$69
f) Don't know

To what extent do you identify with the following statements:

1. I have a budget and keep close track of how much I spend on things such as food, housing and shopping

[Strongly Disagree] [Somewhat Disagree] [Neither agree nor disagree] [Somewhat Agree] [Strongly Agree]

2. I contribute money towards savings or investments regularly (or plan to when I have a steady income)

[Strongly Disagree] [Somewhat Disagree] [Neither agree nor disagree] [Somewhat Agree] [Strongly Agree]

3. My finances are a significant area of concern for me

[Strongly Disagree] [Somewhat Disagree] [Neither agree nor disagree] [Somewhat Agree] [Strongly Agree]

4. I am comfortable discussing money management issues with my peers

[Strongly Disagree] [Somewhat Disagree] [Neither agree nor disagree] [Somewhat Agree] [Strongly Agree]

5. I feel capable planning for my financial future after college

[Strongly Disagree] [Somewhat Disagree] [Neither agree nor disagree] [Somewhat Agree] [Strongly Agree]

---PAGE BREAK---

What is your classification?
[Freshman]
[Sophomore]
[Junior]
[Senior]
[Super Senior]

What college are you a student of?
(Select all that apply)
[School of Architecture]
[McCombs School of Business]
[Moody College of Communication]

[College of Education]
[Cockrell School of Engineering]
[College of Fine Arts]
[Jackson School of Geosciences]
[College of Liberal Arts]
[College of Natural Sciences]
[School of Nursing]
[College of Pharmacy]
[Steve Hicks School of Social Work]
[School of Undergraduate Studies]

What ethnicity do you identify with?
{Select all that apply)
[White]
[Hispanic/Latinx]
[Black or African American]
[Middle Eastern or North African]
[Asian]
[American Indian or Alaska Native]
[Native Hawaiian or Pacific Islander]
[Prefer Not to Answer]
[Other:]

Which of the following best describes the highest education level of your parent(s)?
[Some High School]
[High School graduate]
[Some College]
[Bachelor's degree]
[Graduate Degree or higher]
[Other]

Which of the following best describes how your college tuition is paid?
[Grants and Scholarships]
[Student/Federal Loans]
[Parents/Family Income and Savings]
[Student Income and Savings]

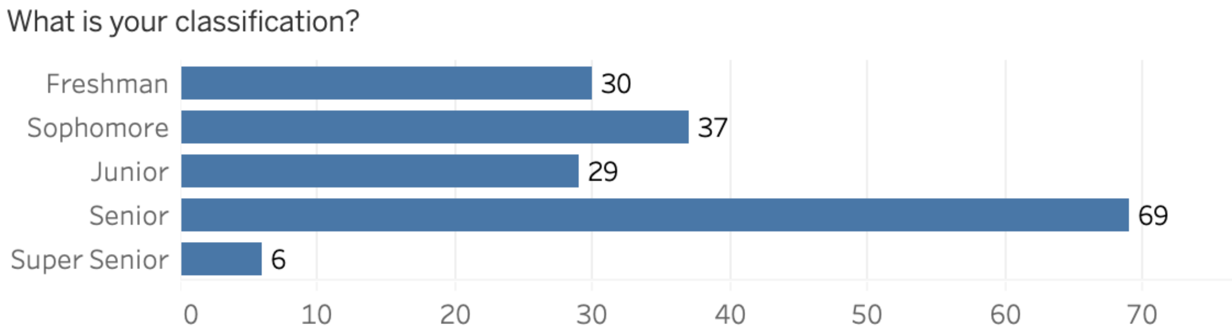
Which of the following best describes how your daily living expenses are paid (i.e. rent, food)?
[Grants and Scholarships]
[Student/Federal Loans]
[Parents/Family Income and Savings]
[Student Income and Savings]

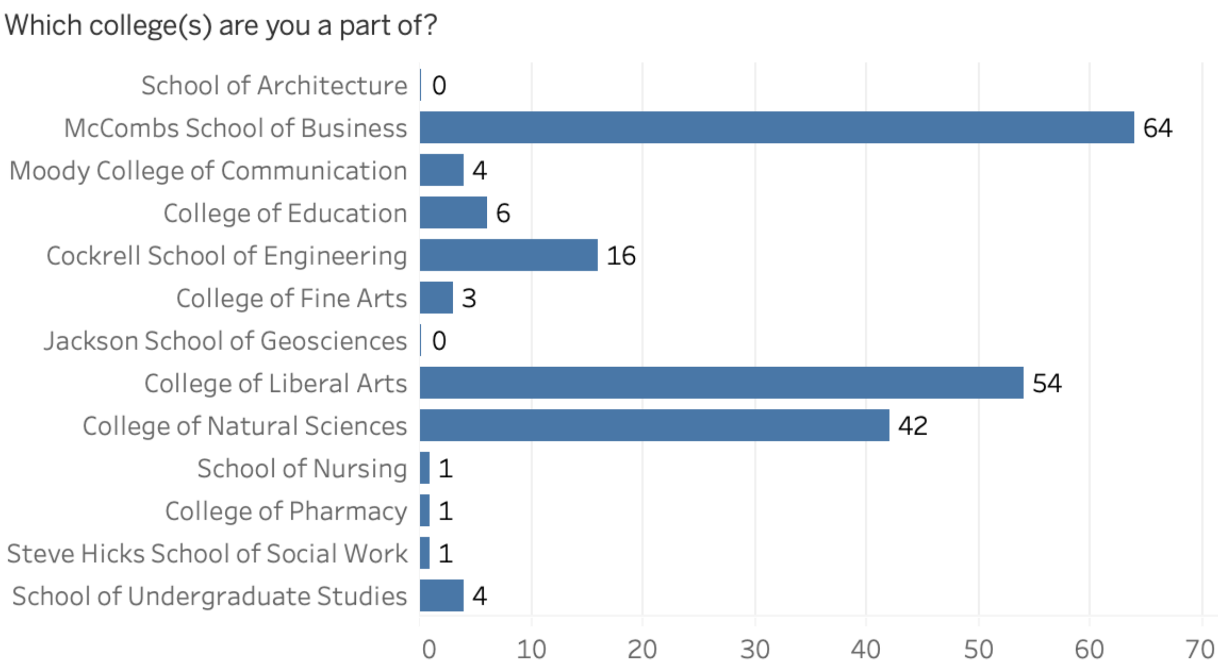
---SUBMISSION---

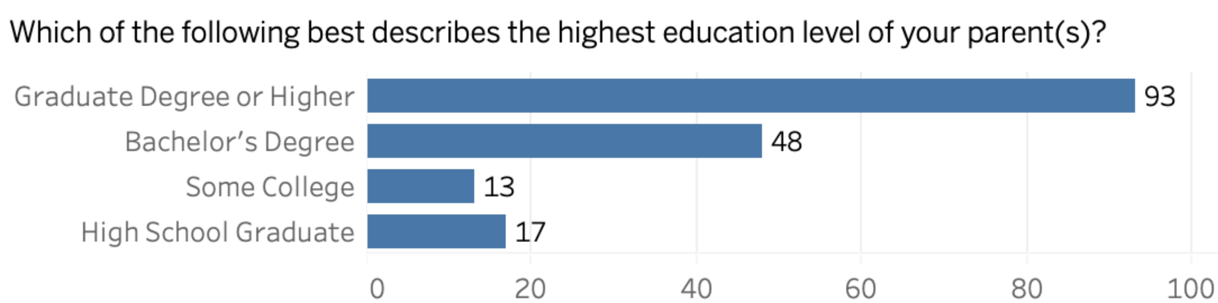
---PAGE BREAK---

Thank you for completing this survey! I will be using the results of this survey to assess the state of financial literacy as part of my Plan II Thesis. If you'd like to learn more about the results of my findings, please feel free to email me at skarkala@utexas.edu.

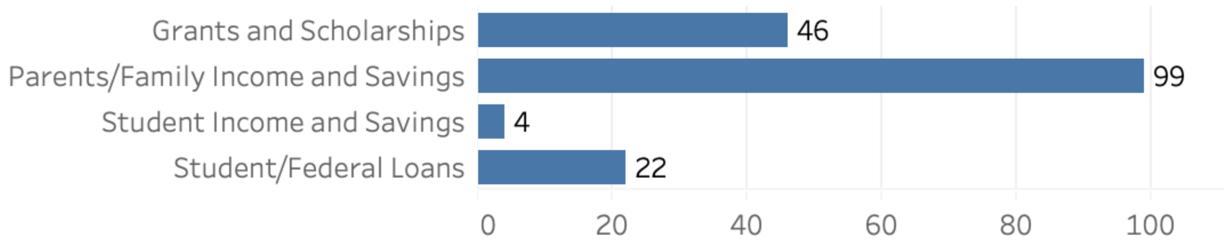
<u>Appendix B: Student Survey: Sample Demographic Figures</u>



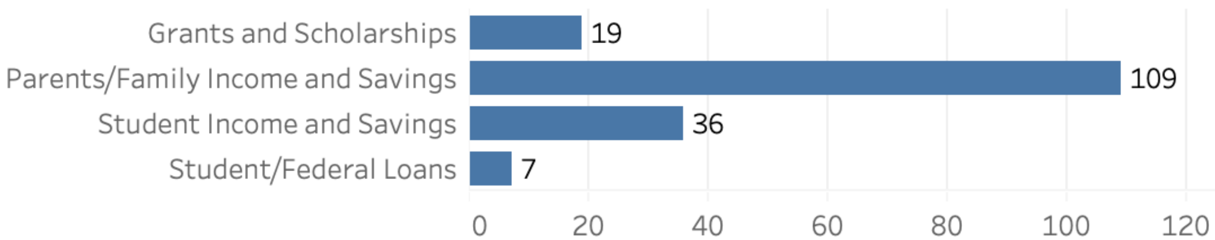




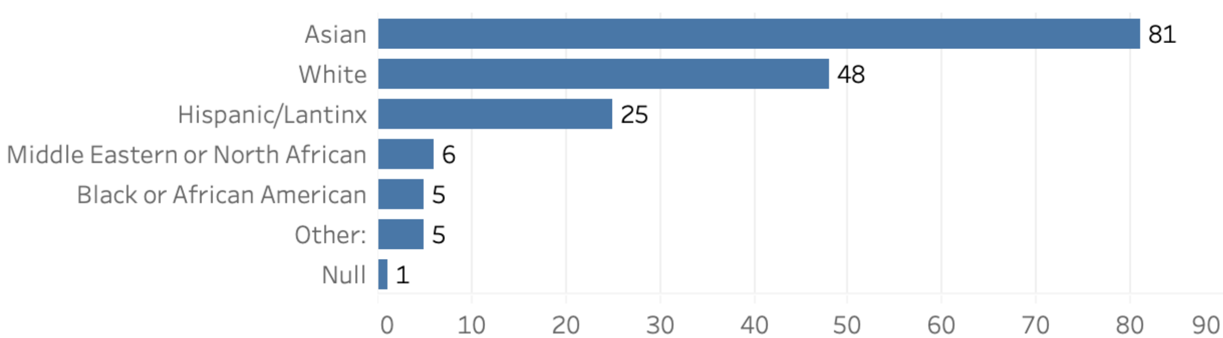
Which of the following best describes how your college tuition is paid?



Which of the following best describes how your daily living expenses are paid (i.e. rent, food)?



What ethnicity do you identify with?



Appendix C: Responses for Similar Questions in Ohio State's Study of Collegiate Financial Wellness and UT-Austin Study

Percent Correct, Incorrect, and Don't Know by Question for Respondents at Four-Year Public Institutions (Source: 2017 Ohio State Study on Collegiate Financial Wellness)

	% Correct	% Incorrect	% Don't Know
Inflation Question	51.8%	21.2%	27.0%
Interest Rate Question	75.0%	8.5%	16.5%
Loan Repayment Question	73.2%	11.5%	15.3%

Percent of Correct, Incorrect, and Don't Know Responses by Question (Source: UT-Austin Study)

	% Correct	% Incorrect	% Don't Know
Inflation Question	78.4%	8.8%	12.9%
Interest Rate Question	70.2%	17.5%	12.3%
Loan Repayment Question	74.9%	17.6%	7.6%

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BIOGRAPHY

Sneha Karkala was born in Austin, TX on May 5, 1998, and moved to Coppell, TX in 2008. She enrolled in both the Plan II Honors Program and the Business Honors Program with a specialization in Management Information Systems at the University of Texas at Austin in the fall of 2016 and studied at the Universidad de San Andrés in Buenos Aires, Argentina during her freshman year summer. In college, Sneha consulted for Austin small businesses with Texas Consult Your Community (CYC), led communications for UT's Senate of College Councils, tutored students through Plan II KIPP, and interned at local non-profits. She graduated in May 2020 and will join Bain & Company as an Associate Consultant in the fall.